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**VOLUME II**  
**TRANSCRIPT OF RECORD**

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**Supreme Court of the United States**  
**OCTOBER TERM, 1960**

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**No. 80**

**PAN AMERICAN PETROLEUM CORPORATION,**  
**PETITIONER,**

**—vs.—**

**SUPERIOR COURT OF THE STATE OF DELAWARE**  
**IN AND FOR NEW CASTLE COUNTY, ET AL.**

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**No. 81**

**TEXACO, INC., PETITIONER,**

**—vs.—**

**SUPERIOR COURT OF THE STATE OF DELAWARE**  
**IN AND FOR NEW CASTLE COUNTY, ET AL.**

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**ON WRITS OF CERTIORARI TO THE SUPREME COURT OF THE**  
**STATE OF DELAWARE**

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**PETITIONS FOR CERTIORARI FILED MAY 6, 1960**  
**CERTIORARI GRANTED JUNE 13, 1960**

# SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1960

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## No. 80

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PETITIONER,

—vs.—

SUPERIOR COURT OF THE STATE OF DELAWARE  
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SUPERIOR COURT OF THE STATE OF DELAWARE  
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ON WRITS OF CERTIORARI TO THE SUPREME COURT OF THE  
STATE OF DELAWARE

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## EXHIBIT A-37

FPC Gas Rate

Schedule No. 84

Supplement No. 37

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

18196

# AGREEMENT TO SUBSTITUTE DEDICATED RESERVES

WHEREAS, under the provisions of Article IV, *Dedication*, of GAS PURCHASE CONTRACT (Hugoton Field, Kansas) between STANOLIND OIL AND GAS COMPANY; as Seller, and CITIES SERVICE GAS COMPANY, as Buyer, dated June 23, 1950, said Seller desires to obtain release of its dedicated reserves thereunder insofar as the same cover the following described lands situated in Kearny County, Kansas, to-wit:

Northeast Quarter (NE/4) Section Ten (10), Township Twenty Three South (T23S), Range Thirty Seven West (R37W).

and to substitute therefor the following described acreage situated in Kearny County, Kansas, to-wit:

An undivided one-half ( $\frac{1}{2}$ ) interest in the Southeast Quarter (SE/4) Section Twenty One (21), Township Twenty Four South (T24S), Range Thirty Seven West (R37W).

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is hereby agreed between said Seller and Buyer as follows:

Buyer does hereby release Seller's dedicated reserves from the dedication under said Contract insofar as same cover the lands first above described.

Seller hereby substitutes for said released acreage to the fulfillment and performance of said agreement all of Seller's dedicated reserves under the lands last

above described, and Buyer hereby approves said substitution.

DATED, This 19 day of June, 1953.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL  
V. G. Hill, Attorney-in-Fact

CITIES SERVICE GAS COMPANY

By /s/ GEO. H. BAIRD  
Vice President

ATTEST:

/s/ A. W. LEVAN  
Asst. Secretary

[fol. 437]

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before Me, M. J. HITCHCOCK, a Notary Public, within and for said County and State, on this 19 day of June, 1953, personally appeared V. G. Hill, to me known to be the identical person who executed the within and foregoing instrument as Attorney-in-Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

/s/ M. J. HITCHCOCK  
Notary Public

My commission expires: 7-21-53

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before me, ROSEMARY BERNEY, a Notary Public in and for said state, on this 25th day of June, 1953, personally appeared GEO. H. BAIRD, to me known to be the identical person who subscribed the name of CITIES SERVICE GAS COMPANY to the foregoing instrument as its Vice President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation for the uses and purposes therein set forth.

In witness where I hereunto set my hand and official seal.

/s/ ROSEMARY BERNEY  
Notary Public

My commission expires:  
Feb. 25, 1954

[fol. 438]

EXHIBIT A-38

FPC Gas Rate  
Schedule No. 84  
Supplement No. 38  
Filing Date: Nov 16 1954  
Effective Date: Accepted

Received  
Nov 16 5 11 AM '54  
Federal Power Commission  
18196

[Emblem]

CITIES SERVICE GAS COMPANY  
FIRST NATIONAL BUILDING  
OKLAHOMA CITY 1, OKLAHOMA

June 26, 1953

Stanolind Oil and Gas Company  
P. O. Box 1654  
Oklahoma City, Oklahoma

Attention: E. W. Cook, Division Landman

Gentlemen:

This will acknowledge receipt of your letter of June 3, 1953, tendering the following acreage to us under the terms

and conditions of Paragraph 3, Article 4 of our Gas Purchase Contract dated June 23, 1950:

<u>Lease No.</u>	<u>Description</u>	<u>Expiration Date</u>
76870	S/2 Section 18-27S-32W	8- 1-53
49520	SE/4 Section 13-31S-41W	8-11-53
50071	SE/4 Section 33-30S-40W	8-11-53
48522	N/2 NE/4 NE/4 Sec. 12-24S-33W	7-13-53
48685	E/2 SW/4 SW/4 Sec. 12-24S-33W	7-21-53
49507	South 48 acres of E/2 NW/4 Section 12-24S-33W	8-30-53
76871	SE/4 Section 5-28S-32W	8- 1-53

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, the same as though these leases had not been scheduled and dedicated to us.

Yours very truly,

CITIES SERVICE GAS COMPANY .

/s/ GEO. H. BAIRD  
Geo. H. Baird, Vice President

RWH/c

[fol. 439]

## EXHIBIT A-39

FPC Gas Rate

Schedule No. 84

Supplement No. 39

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

18196

STANOLIND OIL AND GAS COMPANY  
Oklahoma City, Oklahoma

June 26, 1953

Re: AFE 4239  
Contract 18196  
Finney County  
Kansas

Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma

Attention: Mr. Geo. C. Roth

Gentlemen:

In accordance with Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of the following leases:

Lease No. 48520	W/2 SW/4 SW/4 & SW/4 NW/4 SW/4 Section 12- 24S-33W	Exp. 7/19/53
Lease No. 48761	South 10 acres of North 20.5 acres of NW/4 SW/4 Section 12-24S-33W	Exp. 7/20/53
Lease No. 49506	All that part of E/2 NW/ 4 Section 12-24S-33W lying North of Irrigation lateral—30-1/2 acres	Exp. 7/20/53

As discussed with Mr. Hofsess, we allowed John B. Hawley, Jr., to whom we had previously farmed out acreage in Sections 11 and 12-24S-33W, to form an irregular unit and attribute acreage in Section 12 to the unit well in Section 11. Hawley has now advised that he will only require approximately 65 acres out of Section 12 and it is our intention to forfeit the remaining acreage in said section.

If you wish assignment of these leases in accordance with the above mentioned Contract, please advise and we will have the necessary instrument prepared and executed. If you do not desire said assignment, kindly indicate in the space provided below and return copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ E. W. COOK

E. W. Cook

Division Landman

cc: GEO. C. MOHOFFY

F. F. DIWOKY

D. N. MITCHELL

ROW: (illegible)

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract the same as though said leases have not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ GEO. H. BAIRD

COPY

[fol. 440]

## EXHIBIT A-40

FPC Gas Rate

Schedule No. 84

Supplement No. 40

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

# AGREEMENT TO SUBSTITUTE DEDICATED RESERVES

WHEREAS, under the provisions of Article IV, *Dedication*, of GAS PURCHASE CONTRACT (Hugoton Field, Kansas) between STANOLIND OIL AND GAS COMPANY, as Seller, and CITIES SERVICE GAS COMPANY, as Buyer, dated June 23, 1950, said Seller desires to obtain release of its dedicated reserves thereunder insofar as the same cover the following described lands situated in Stanton County, Kansas to-wit:

SW/4 Section 18-27S-39W

and to substitute therefor the following described acreage situated in Stanton County, Kansas, to-wit:

SW/4 Section 13-27S-40W

Now, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is hereby agreed between said Seller and Buyer as follows:

Buyer does hereby release Seller's dedicated reserves from the dedication under said Contract insofar as same cover the lands first above described.

Seller hereby substitutes for said released acreage to the fulfillment and performance of said agreement all of Seller's dedicated reserves under the lands last above described, and Buyer hereby approves said substitution.



DATED, This 7th day of July, 1953.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL

V. G. Hill, Attorney-in-Fact

CITIES SERVICE GAS COMPANY

By /s/ GEO. H. BAIRD

Vice President

Approved—(Illegible)

ATTEST:

A. W. LEVAN

Asst. Secretary

[fol. 441]

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA

Before Me, the undersigned, a Notary Public, within and for said County and State, on this 7th day of July, 1953, personally appeared V. G. HILL, to me known to be the identical person who executed the within and foregoing instrument as Attorney-in-Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

/s/ M. J. HITCHCOCK  
Notary Public

My commission expires:  
July 21, 1953

STATE OF OKLAHOMA

COUNTY OF OKLAHOMA

Before Me, ROSEMARY BERNEY, a Notary Public in and for said State, on this 14th day of July, 1953, personally

appeared GEO H. BAIRD, to me known to be the identical person who subscribed the name of CITIES SERVICE GAS COMPANY to the foregoing instrument as its Vice-President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation for the uses and purposes therein set forth.

In witness whereof I hereunto set my hand and official seal.

/s/ ROSEMARY BERNEY  
Notary Public

My commission expires:  
Feb. 25, 1954

18196

[fol. 442]

## EXHIBIT A-41

FPC Gas Rate

Schedule No. 84

Supplement No. 41

Filing Date: 11-16-54

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

18196

[Emblem]

CITIES SERVICE GAS COMPANY

FIRST NATIONAL BUILDING

OKLAHOMA CITY 1, OKLAHOMA

July 7, 1953

Stanolind Oil and Gas Company

P. O. Box 1654

Oklahoma City, Oklahoma

Attention: E. W. Cook, Division Landman

Gentlemen:

This will acknowledge receipt of your letter of June 12 in which you tendered us the following acreage, all in ac-

cordance with Paragraph 3, Article 4 of our Gas Purchase Contract dated June 23, 1950:

Lease No.	Description	Expiration Date
48593	NE/4 Section 1-31S-41W	7/20/53
79086	NW/4 Section 19-31S-40W	7/14/53
79085	NE/4 Section 19-31S-40W	7/14/53
50914	SW/4 Section 19-31S-40W	3/21/54
79104	W/2 Section 6-32S-40W	7/31/53
48454	NE/4 & N/2 SE/4 6-32S-40W	7/16/53
48903	S/2 SE/4 Sec. 6-32S-40W	7/20/53

You now advise that you were able to farmout the acreage in Section 19-31S-40W and Section 6-32S-40W and therefore desire to withdraw your tender of this acreage. We are agreeable to your withdrawal of the tender of the acreage in Sections 19-31S-40W and 6-32S-40W and shall consider this acreage to remain dedicated to us under the terms of our Gas Purchase Contract dated June 23, 1950.

We do not wish assignment of the lease covering the NE/4 of Section 1-31S-41W and hereby release said lease from the terms of said gas purchase contract, the same as though it had not been scheduled and dedicated to us.

Yours very truly,

CITIES SERVICE GAS COMPANY

/s/ GEO. H. BAIRD  
Geo. H. Baird, Vice President

GHB/REB/c

[fol. 443]

## EXHIBIT A-42

HOL/mld 6/29/53

FPC Gas Rate

Schedule No. 84

Supplement No. 42

Received

Filing Date: Nov 16 1954

Nov 16, 5 11 AM '54

Effective Date: Accepted

Federal Power Commission

STATE OF KANSAS )

) ss.

COUNTY OF KEARNY )

## ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

That, in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations, the receipt and the sufficiency of which are hereby acknowledged, STANOLIND OIL AND GAS COMPANY, a corporation (hereinafter referred to as "Assignor") hereby does bargain, sell, assign, transfer and convey unto KANSAS-NEBRASKA NATURAL GAS COMPANY, Inc., a corporation, its successors and assigns (hereinafter referred to as "Assignee"), without warranty of title express or implied, all of its right, title and interest in and to the following described oil and gas lease, covering land situated in the County of Kearny, State of Kansas, to-wit:

Lessor: Georgia Menn and Roy E. Menn, Executors and Trustees of the Estate of E. R. Thorpe, Deceased

Lessee: Joe E. Denham

Date: July 27, 1944

Recorded: Book 11, at Page 454;

in so far as said lease covers the oil and gas rights in all horizons from the surface to a depth of 3,200 feet lying in and under the following described land in said County and State, to-wit:

The North Half (N $\frac{1}{2}$ ) Section Twenty-six (26), Township Twenty-three South (T23S), Range Thirty-seven West (R37W)

(said lease and land above described, to the extent that said lease covers the oil and gas rights in all horizons from the surface to a depth of 3,200 feet lying in and under said land, hereinafter sometimes being referred to as the "lease acreage"), subject to the following terms, covenants and conditions:

1. In addition to any and all other overriding royalties, production payments and other encumbrances to which said [fol. 444] lease acreage may be subject, the Assignor hereby excepts and reserves unto itself, its successors and assigns, the following overriding royalty:

(a) One-fourth of Seven-eighths ( $\frac{1}{4}$  of  $\frac{7}{8}$ ) of all oil, distillate, condensate and other liquid hydrocarbons produced and saved from all horizons from the surface to a depth of 3,200 feet lying in and under the land above described, which shall be delivered free of all cost and expense, except taxes on production, at the well or wells on said land or, at the Assignor's option, to the credit of the Assignor into the pipe line to which said well or wells may be connected; and

(b) One-fourth of Seven-eighths ( $\frac{1}{4}$  of  $\frac{7}{8}$ ) of all gas and casinghead gas produced and saved from all horizons from the surface to a depth of 3,200 feet lying in and under the land above described, the market value (at the well) of which shall be paid to the Assignor free of all cost and expense, except taxes on production.

3. With respect to the overriding royalty herein excepted and reserved by the Assignor, the Assignor and the Assignee agree, as follows:

(a) That said overriding royalty shall extend to any extension or renewal of the lease above described.

(b) That oil and gas used in drilling operations on said lease acreage and in the handling of production

therefrom shall be deducted before said overriding royalty is computed.

(c) That the Assignee shall furnish to the Assignor authentic itemized monthly reports of all production from said lease acreage, such reports to be mailed not later than the fifteenth day of the month following that for which the report is made.

(d) That in the event the above described lease covers less than all the oil and gas mineral rights in and to all horizons from the surface to a depth of 3,200 feet lying in and under the land above described, said overriding royalty, in so far as it pertains to oil, distillate, condensate and other liquid hydrocarbons, gas and casinghead gas produced and saved from said [fol. 445] horizons lying in and under said land, shall be proportionately reduced so as to be equal to that proportion of one-fourth of seven-eighths ( $\frac{1}{4}$  of  $\frac{7}{8}$ ) of said production from said horizons which the interest in and to said oil and gas mineral rights in all horizons from the surface to a depth of 3,200 feet lying in and under the land above described and covered by said lease bears to the full and undivided oil and gas mineral estate therein.

TO HAVE AND TO HOLD said lease acreage unto the Assignee, its successors and assigns, subject to the terms, covenants and conditions hereinabove set forth.

EXECUTED this 8th day of July, 1953.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL

Its Attorney in Fact

STATE OF OKLAHOMA     )  
                                       ) ss.  
 COUNTY OF OKLAHOMA    )

Before me, the undersigned, a Notary Public within and for said County and State, on this 8th day of July, 1953, personally appeared V. G. HILL, to me known to be the identical person who executed the within and foregoing instrument as Attorney in Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

/s/ M. J. HITCHCOCK  
 Notary Public

My commission expires:  
 7-21-53

18196

[fol. 446]

EXHIBIT A-43

FPC Gas Rate

Schedule No. 84

Supplement No. 43

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

### RELEASE

WHEREAS, in accordance with the provisions of Article IV, Sub-Section 3 of Gas Purchase Contract (Hugoton Field, Kansas) between STANOLIND OIL AND GAS COMPANY, as Seller, and CITIES SERVICE GAS COMPANY, as Buyer, dated June 23, 1950, said Seller did on May 18, 1953, tender to Buyer the oil and gas leases described in Exhibit "A" hereto attached and hereof made a part insofar as said leases cover Seller's gas rights in and to the gas producing



zones at depths above sea level, and Buyer does not desire to accept assignment of said leases.

Now, THEREFORE, in consideration of the premises, Cities Service Gas Company does hereby release and quitclaim all its rights to such assignment and releases said oil and gas leases from the terms of said Gas Purchase Contract the same as though said leases had not been scheduled and dedicated thereunder.

DATED, this 14th day of July, 1953.

CITIES SERVICE GAS COMPANY

By /s/ GEO. H. BAIRD  
Vice President

ATTEST:

/s/ A. W. LEVAN  
Asst. Secretary

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before me, the undersigned, a Notary Public in and for said County and State, on this 14th day of July, 1953, personally Appeared GEO. H. BAIRD, to me known to be the identical person who subscribed the name of CITIES SERVICE GAS COMPANY to the foregoing instrument as its Vice President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation for the uses and purposes therein set forth.

In witness whereof I hereunto set my hand and official seal.

/s/ ROSEMARY BERNEY  
Notary Public

My Commission Expires:  
Feb. 25, 1954



[fol. 447]

LEASE SCHEDULE

EXHIBIT "A" PAGE ONE

STATE OF KANSAS

COUNTY OF MORTON

Lease No.	Lessor	Lessee	Date	Description	Recorded Book Page
49520	Floyd Breeding et ux	Joe E. Denham	8-11-43	Insofar as said lease covers and affects the N/2 and SE/4 Section 18-31S-40W	11 11
50851	Mary Shale	Joe E. Denham	7-21-43	SW/4 Section 18-31S-40W	11 50

Received  
Nov 16 5 11 AM '54  
Federal Power Commission

416

18196

[fol. 448]

## EXHIBIT A-44

FPC Gas Rate  
Schedule No. 84  
Supplement No. 44

Filing Date: Nov 16 1954  
Effective Date: Accepted

Received  
Nov 16 5 11 AM '54  
Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

July 17, 1953

Re: AFE-4239  
Contract No. 18196  
Morton County, Kansas

Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma

Attention: Mr. Geo. C. Roth

Gentlemen:

In accordance with Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of Lease No. 49913, covering the SE/4 Section 30-31S-40W, Morton County, Kansas. Said lease is due to expire September 16, 1953.

If you wish assignment of this lease in accordance with the above mentioned contract, please advise and we will have the necessary instrument prepared and executed. If you do not desire assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ E. W. Cook  
E. W. Cook  
Division Landman

RGW:oh

We do not wish assignment of the above lease and hereby release said lease from the terms of said Gas Purchase Contract, the same as though said lease had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ GEO. H. BAIRD

cc: MOHOFFY  
MITCHELL  
DIWOKY  
McCABE

COPY

[fol. 449]

EXHIBIT A-45

FPC Gas Rate  
Schedule No. 84  
Supplement No. 45  
Filing Date: Nov 16 1954  
Effective Date: Accepted

Received  
Nov 16 5 11 AM '54  
Federal Power Commission  
18196

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

P. O. Box 1654  
July 27, 1953

File: KWB-90

Subject: Standard Gas Measurement Order  
Kansas Corporation Commission

Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma

Gentlemen:

This will acknowledge your letter of July 17, 1953 on the above subject. You have advised us that you propose currently to make payment for gas, pending final judicial

interpretation of said order with reference to court actions now instituted, at the price and upon the pressure base provided in said contracts. You have stated that when the next payment is made you will advise us that the same is made to and accepted by us without prejudice to the rights of either of us pending the hearing and final determination of such litigation.

We are willing to accept current payments on the basis you propose except that we do not desire to make advance commitment to be bound by a suit to which we are not a party and which may not be submitted to the court of last resort. We are willing to accept payments on the contract basis upon the understanding and condition that settlements so made shall apply on account and shall be without prejudice to our rights to claim and litigate against you for settlements on the basis of the increased volumes resulting from the new measurement basis and that you will not claim or plead any estoppel or final settlement by reason of acceptance of payments by us on said contract basis.

If the above stated conditions are agreeable to you, will you please so indicate by signing this letter in the space provided below and returning one copy to us.

Yours very truly,

/s/ K. W. Bolt

K. W. Bolt,

Division Production Superintendent

Accepted this 30 day  
of July, 1953.

CITIES SERVICE GAS COMPANY

By /s/ GEO. H. BAIRD  
Vice President

COPY

[fol. 450]

## EXHIBIT A-46

FPC Gas Rate

Schedule No. 84

Supplement No. 46

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

18196

STANOLIND OIL AND GAS COMPANY

OKLAHOMA CITY, OKLAHOMA

August 7, 1953

Re: AFE-4239

Hugoton Field Area

K a n s a s

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Attention: Mr. Geo. C. Roth

Gentlemen:

Under the terms of Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of the following lease in Finney County, Kansas:

Lease No.	Description	Expiration Date
50206	S/2 NE/4 NE/4 Section 12-24S-33W	10-9-53

If you wish assignment of this lease in accordance with the above mentioned contract, please advise and we will have the necessary instrument prepared and executed. If you do not wish said assignment, kindly so indicate in the space provided below and return a signed copy to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ E. W. Cook

E. W. Cook

Division Landman

RGW:oh

We do not wish assignment of the above lease and hereby release said lease from the terms of said Gas Purchase Contract the same as though said lease had not been scheduled and dedicated thereto.

CITIES SERVICE GAS COMPANY

By /s/ GEO. H. BAIRD

cc: GEO. C. MOHOFFY  
F. F. DIWOKY  
D. N. MITCHELL  
S. S. McCABE

COPY

[fol. 451]

EXHIBIT A-47

HOL/bd 9/8/53

FPC Gas Rate

Schedule No. 84

Supplement No. 47

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

RELEASE

KNOW ALL MEN BY THESE PRESENTS THAT:

WHEREAS, Stanolind Oil and Gas Company, as "Seller", and Cities Service Gas Company, as "Buyer", entered into a certain contract on the 23rd day of June, 1950, wherein, subject to the terms, covenants and conditions thereof, Seller agreed to sell and Buyer agreed to buy the natural gas produced and saved under the following described oil and gas lease, covering land situated in the County of Finney, State of Kansas, to-wit:

*Lessor:* Ed Boots, et ux

*Lessee:* Joe E. Denham

*Date:* March 7, 1944

*Recorded:* Book 13, at Page 162

said lease covering the following described land in said County and State, to-wit:

The East Half (E/2) of the Southwest Quarter (SW/4) of Section Twelve (12), Township Twenty-four South (T24S), Range Thirty-three West (R33W),

together with other leases; and,

WHEREAS, it is the desire of the parties hereto that the oil and gas lease above described be released from the terms, covenants and conditions of said contract.

NOW, THEREFORE, in consideration of the premises and other good and valuable considerations, the receipt and the sufficiency of which are hereby acknowledged, Stanolind Oil and Gas Company, a corporation, and Cities Service Gas Company, a corporation, do hereby covenant and agree that the above described oil and gas lease shall be, and is hereby, released from all the terms, covenants and conditions of said contract, the same as though it had never been subject thereto.

[fol. 452] IN WITNESS WHEREOF, this instrument is executed as of this 9th day of September, 1953.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL

Its Attorney in Fact

(Stamp)

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

Vice President

18196

ATTEST:

/s/ A. W. LEVAN

Asst. Secretary

STATE OF OKLAHOMA     )  
                                       ) SS  
 COUNTY OF OKLAHOMA    )

Before me, the undersigned, a Notary Public within and for said County and State, on this 9th day of September, 1953, personally appeared V. G. HILL, to me known to be the identical person who executed the within and foregoing instrument as Attorney in Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

/s/ MARY WRIGHT  
 Notary Public

My commission expires: July 16, 1957

STATE OF OKLAHOMA     )  
                                       ) SS  
 COUNTY OF OKLAHOMA    )

Before me, the undersigned, a Notary Public within and for said County and State, on this 10th day of September, 1953, personally appeared GEO. C. ROTH, to me known to be the identical person who subscribed the name of CITIES SERVICE GAS COMPANY to the foregoing instrument as its Vice President, and duly acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written...

/s/ ROSEMARY BERNEY  
 Notary Public

(SEAL)

My commission expires:  
 Feb. 25, 1954



[fol: 453]

## EXHIBIT A-49

FPC Gas Rate

Schedule No. 84

Supplement No. 48

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

# AGREEMENT TO SUBSTITUTE DEDICATED RESERVES

WHEREAS, under the provisions of Article IV, *Dedication*, of GAS PURCHASE CONTRACT (Hugoton Field, Kansas) between STANOLIND OIL AND GAS COMPANY, as Seller, and CITIES SERVICE GAS COMPANY, as Buyer, dated June 23, 1950, said Seller desires to obtain release of its dedicated reserves thereunder insofar as the same cover the following described lands situated in Haskell County, Kansas, to-wit:

## Lease No. 47483:

Lessor: Roy Batmen, et al  
 Lessee: Joe E. Denham  
 Date: April 20, 1943  
 Description: NE/4 Section 10-28S-33W  
 Recorded: Book 3, Page 629

and to substitute therefor the following described acreage situated in Morton County, Kansas, to-wit:

## Lease No. 49910:

Lessor: N. E. Melencamp, et ux  
 Lessee: Joe E. Denham  
 Date: September 16, 1943  
 Description: SE/4 Section 30-31S-40W  
 Recorded: Book 11, Page 23

## Lease No. 128608:

Lessor: Estelle E. Smith, et al  
 Lessee: J. D. Long  
 Date: March 20, 1953  
 Description: SE/4 Section 19-31S-40W  
 Recorded: Book 17, Page 357

Now, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is hereby agreed between said Seller and Buyer as follows:

Buyer does hereby release Seller's dedicated reserves from the dedication under said Contract insofar as same cover the lands first above described.

Seller hereby substitutes for said released acreage to the fulfillment and performance of said agreement [fol. 454] all of Seller's dedicated reserves under the lands last above described, and Buyer hereby approves said substitution, with said substitution to become operative and effective at 7:00 A. M. on the 23rd day of November, 1953.

DATED, This 27th day of October, 1953.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL

Its Attorney in Fact

Approved (Illegible)

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

Vice President

ATTEST:

/s/ A. W. LEVAN  
Asst. Secretary

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before Me, the undersigned, a Notary Public, within and for said County and State, on this 27th day of October, 1953, personally appeared V. G. HILL, to me known to be the identical person who executed the within and foregoing instrument as Attorney-in-Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

/s/ JOAN MILLER  
Notary Public

My commission expires:

My Commission Expires July 16, 1957

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before Me, the undersigned, a Notary Public in and for said State, on this 2nd day of November, 1953, personally appeared G. C. ROTH, to me known to be the identical person who subscribed the name of CITIES SERVICE GAS COMPANY to the foregoing instrument as its Vice President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation for the uses and purposes therein set forth:

In witness whereof I hereunto set my hand and official seal.

/s/ ROSEMARY BERNEY  
Notary Public  
18196

My commission expires:

Feb. 25, 1954

[fol. 455]

## EXHIBIT A-48

FPC Gas Rate

Schedule No. 84

Supplement No. 49

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

November 4, 1953

Re: AFE-4239

Contract No. 18196

Kearny County, Kansas

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Attention: Mr. Geo. C. Roth

Gentlemen:

In accordance with Paragraph 3, Article 4, of Gas Purchase Contract, dated June 23, 1950, we wish to offer to you assignment of Lease No. 72061-A, covering the NE/4 Section 12-22S-37W, Kearny County, Kansas, which is due to expire January 1, 1954.

If you wish assignment of this lease in accordance with the above mentioned contract, please advise and we will have the necessary instrument prepared and executed. If you do not wish assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ E. W. Cook

E. W. Cook

Division Landman

RGW:oh

We do not wish assignment of the above lease and hereby release said lease from the terms of said Gas Purchase Contract, the same as though said lease had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

cc: GEO. C. MOHOFFY  
D. N. MITCHELL  
F. F. DIWOKEY  
S. B. MCCABE

COPY

[fol. 456]

EXHIBIT A-50

FPC Gas Rate

Schedule No. 84

Supplement No. 50

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

### AGREEMENT TO SUBSTITUTE DEDICATED RESERVES

WHEREAS, under the provisions of Article IV, *Dedication*, of GAS PURCHASE CONTRACT (Hugoton Field, Kansas) between STANOLIND OIL AND GAS COMPANY, as Seller, and CITIES SERVICE GAS COMPANY, as Buyer, dated June 23, 1950, said Seller desires to obtain release of its dedicated reserves thereunder insofar as the same cover the following described lands situated in Hamilton County, Kansas, to-wit:

Lease No. 74859

N/2 Section 13-25S-39W.

and to substitute therefor the following described acreage situated in Kearny County, Kansas, to-wit:

Lease No. 135155

NE/4 Section 11-24S-37W.

Now, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is hereby agreed between said Seller and Buyer as follows:

Buyer does hereby release Seller's dedicated reserves from the dedication under said Contract insofar as same cover the lands first above described.

Seller hereby substitutes for said released acreage to the fulfillment and performance of said agreement all of Seller's dedicated reserves under the lands last above described, and Buyer hereby approves said substitution.

DATED, This 19th day of November, 1953.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL  
V. G. Hill, Attorney-in-Fact

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH  
Vice President

ATTEST:

/s/ A. W. LEVAN  
Asst. Secretary

18,196

[fol. 457]

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before Me, JOAN MILLER, a Notary Public, within and for said County and State, on this 19th day of November, 1953, personally appeared V. G. Hill, to me known to be the identical person who executed the within and foregoing instrument as Attorney-in-Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

We do not wish assignment of the above lease and hereby release said lease from the terms of said Gas Purchase Contract, the same as though said lease had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

C O P Y

[fol. 462]

EXHIBIT A-53

FPC Gas Rate

Schedule No. 84

Supplement No. 53

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY

OKLAHOMA CITY, OKLAHOMA

January 8, 1954

Re: AFE-4239

Contract No. 18196

Stanton County, Kansas

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Attention: Mr. Geo. C. Roth

Gentlemen:

In accordance with Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of Lease No. 75394 covering the SW/4 Section 14 and Lease No. 55493 covering the N/2 Section 35-29S-40W, Stanton County, Kansas, which are due to expire in March, 1954.

If you wish assignment of these leases in accordance with the above mentioned contract, please advise and we will have the necessary instrument prepared and executed.

If you do not wish assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ E. W. COOK

E. W. Cook

Division Landman

RGW:oh

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, the same as though said leases had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

[fol. 463]

EXHIBIT A-54

FPC Gas Rate

Schedule No. 84

Supplement No. 54

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY

OKLAHOMA CITY, OKLAHOMA

January 20, 1954

Re: AFE-4239

Contract No. 18196

Stanton and Morton Counties

Kansas

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Attention: Mr. Geo. C. Roth

Gentlemen:

In accordance with Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you



assignment of Lease Nos. 54354 and 54355, covering the NE/4 of Section 33-30S-40W, and Lease No. 54935, covering the NE/4 and SW/4 Section 4-31S-40W, Stanton and Morton Counties, Kansas, which are due to expire in March, 1954.

If you wish assignment of these leases in accordance with the above mentioned contract, please advise and we will have the necessary instrument prepared and executed. If you do not wish assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ E. W. COOK

E. W. Cook

Division Landman

RGW:oh

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, the same as though said leases had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

[fol. 464]

## EXHIBIT A-55

FPC Gas Rate

Schedule No. 84

Supplement No. 55

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

February 8, 1954

Re: AFE-4239—

Contract No. 18196

Haskell County, Kansas

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Attention: Mr. Russell W. Hofsess

Gentlemen:

In accordance with Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of Lease No. 77396, covering the NW/4 Section 5-28S-32W, Haskell County, Kansas, which is due to expire April 24, 1954.

If you wish assignment of this lease in accordance with the above mentioned contract, please advise and we will have the necessary instrument prepared and executed. If you do not wish assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours, *b*

STANOLIND OIL AND GAS COMPANY

Original signed by

By /s/ E. W. COOK

E. W. Cook

Division Landman

RGW:oh

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

/s/ JOAN MILLER  
Notary Public

My commission expires:

My Commission Expires July 16, 1957

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before me, HELEN LACER, a Notary Public in and for said state, on this 7th day of December, 1953, personally appeared G. C. ROTH, to me known to be the identical person who subscribed the name of CITIES SERVICE GAS COMPANY to the foregoing instrument as its Vice President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation for the uses and purposes therein set forth.

In witness whereof I hereunto set my hand and official seal.

/s/ HELEN LACER  
Notary Public

My commission expires:

May 22, 1955

18,196

[fol. 458]

## EXHIBIT A-51

NS/hr—11/25/53

FPC Gas Rate

Schedule No. 84

Supplement No. 51

Filing Date:

Effective Date: Accepted

Received

Nov 16 5 11 AM '54

Federal Power Commission

## RELEASE

WHEREAS, the gas rights in and to gas producing zones at depths above sea level in the oil and gas leases described on Exhibit "A" hereto attached and hereof made a part, are dedicated under the terms of Gas Purchase Contract between STANOLIND OIL AND GAS COMPANY, as Seller, and CITIES SERVICE GAS COMPANY, as Buyer, dated June 23, 1950, and said parties have mutually agreed to release said oil and gas leases from dedication and the terms of said Gas Purchase Contract.

NOW, THEREFORE, it is hereby agreed by and between the undersigned that said oil and gas leases and leasehold estates described in said Exhibit "A" hereto be, and the same are, hereby released from the terms of said Gas Purchase Contract the same as though said leases had not been scheduled and dedicated thereunder.

DATED, This 30th day of November, 1953.

CITIES SERVICE GAS COMPANY

By: /s/ G. C. ROTH  
Vice President

STANOLIND OIL AND GAS COMPANY

By: /s/ V. G. HILL  
Attorney-in-Fact

ATTEST:

/s/ A. W. LEVAN  
Asst. Secretary

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before me, HELEN LACER, a Notary Public in and for said County and State, on this 7th day of December, 1953, personally appeared G. C. ROTH, to me known to be the identical person who subscribed the name of CITIES SERVICE GAS COMPANY to the foregoing instrument as its Vice President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation for the uses and purposes therein set forth.

In witness whereof I hereunto set my hand and official seal.

/s/ HELEN LACER  
Notary Public

My Commission Expires:  
May 22, 1955

18,196

[fol. 459]

LEASE SCHEDULE

EXHIBIT "A" PAGE ONE

STATE OF KANSAS

COUNTY OF KEARNY

Lease No.	Lessor	Lessee	Date	Description	Recorded	
					Book	Page
128461	Jacob B. Graber et ux	C. E. Beymer	11/21/46	NW/4 Section 5-24S-37W	14	588
128460	Jacob B. Graber et ux	C. E. Beymer	5/15/45	NE/4 Section 5-24S-37W	13	66
76917	Fred Collingwood et ux	Ethel K. McCormick	1-22/46	S/2 Section 5-24S-37W	13	390
61709	Maude B. Hefner et al	Joe E. Denham	8/15/44	NW/4 Section 34-23S-37W	12	23
64794	Imon G. Wiatt et al	Stanolind Oil and Gas Company	2/15/45	SW/4 Section 34-23S-37W	12	337
76823	J. A. Sauer et ux	Ethel K. McCormick	4/13/46	SW/4 Section 27-23S-37W	13	576
81873	Darwin Salyer et al	C. E. Beymer	11/11/46	S/2 NE/4 Section 34-23S-37W	14	609

Received  
Nov 16 5 12 AM '54  
Federal Power Commission  
18,196

[fol. 460]

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before me, MARY WRIGHT, a Notary Public, within and for said County and State, on this 30th day of November, 1953, personally appeared V. G. HILL, to me known to be the identical person who executed the within and foregoing instrument as Attorney-in-Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

/s/ MARY WRIGHT  
Notary Public

My Commission Expires:  
July 16, 1957

[fol. 461]

## EXHIBIT A-52

FPC Gas Rate  
Schedule No. 84  
Supplement No. 52  
Filing Date: Nov 16 1954  
Effective Date: Accepted

Received  
Nov 16 5 12 AM '54  
Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

December 9, 1953

Re: AFE-4239  
Contract No. 18196  
Kearny County, Kansas

Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma

Attention: Mr. Geo. C. Roth

Gentlemen:

In accordance with Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of Lease No. 65586, covering the NE/4 Section 22-29S-40W, Kearny County, Kansas, which is due to expire January 25, 1954.

If you wish assignment of this lease in accordance with the above mentioned contract, please advise and we will have the necessary instrument prepared and executed. If you do not wish assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office:

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ E. W. Cook  
E. W. Cook  
Division Landman

RGW:oh



We do not wish assignment of the above lease and hereby release said lease from the terms of said Gas Purchase Contract, the same as though said lease had not been scheduled and dedicated thereunder.

ACCEPTED, This 17 day  
of February, 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

[fol. 465]

EXHIBIT A-56

FPC Gas Rate

Schedule No. 84

Supplement No. 56

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

### AGREEMENT TO SUBSTITUTE DEDICATED RESERVES

WHEREAS, under the provisions of Article IV, *Dedication*, of GAS PURCHASE CONTRACT (Hugoton Field, Kansas) between STANOLIND OIL AND GAS COMPANY, as Seller, and CITIES SERVICE GAS COMPANY, as Buyer, dated June 23, 1950, said Seller desires to obtain release of its dedicated reserves thereunder in so far as the same cover the following described lands situated in Kearny County, Kansas, to-wit:

Northeast Quarter (NE/4) Section Nine (9),  
Township Twenty-four South (T24S), Range  
Thirty-eight West (R38W):

and to substitute therefor the following described acreage situated in Kearny County, Kansas, to-wit:

Northwest Quarter (NW/4) Section Three (3),  
Township Twenty-four South (T24S), Range  
Thirty-eight West (R38W).

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, it is hereby agreed between said Seller and Buyer as follows:

Buyer does hereby release Seller's dedicated reserves from the dedication under said Contract in so far as same cover the lands first above described.

Seller hereby substitutes for said released acreage to the fulfillment and performance of said agreement all of Seller's dedicated reserves under the lands last above described, and Buyer hereby approves said substitution.

DATED, This 15th day of February, 1954.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL  
Attorney-in-Fact

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH  
Vice President

ATTEST:

/s/ A. W. LEVAN  
Asst. Secretary

18196

[fol. 466]

Received

Nov 16 5 12 AM '54  
Federal Power Commission

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before Me, the undersigned, a Notary Public, within and for said County and State, on this 15th day of February, 1954, personally appeared V. G. HILL, to me known to be the identical person who executed the within and foregoing instrument as Attorney-in-Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me

that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

In testimony whereof, I have hereunto set my hand and official seal the day and year last above written.

/s/ JOAN MILLER  
Notary Public

My commission expires:

My Commission Expires July 16, 1957

STATE OF OKLAHOMA  
COUNTY OF OKLAHOMA

Before Me, the undersigned, a Notary Public in and for said State, on this 18th day of February, 1954, personally appeared G. C. ROTH, to me known to be the identical person who subscribed the name of CITIES SERVICE GAS COMPANY to the foregoing instrument as its Vice President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation for the uses and purposes therein set forth.

In witness whereof I hereunto set my hand and official seal.

/s/ ROSEMARY BERNEY  
Notary Public

My commission expires: 2/25/54

[fol. 467]

EXHIBIT A-57

FPC Gas Rate

Schedule No. 84

Supplement No. 57

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY

OKLAHOMA CITY, OKLAHOMA

March 4, 1954

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Re: AFE-4239

Contract No. 18196

Kearny County, Kansas

Attention: Mr. Russell W. Hofsess

Gentlemen:

In accordance with Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of Lease No. 60380 "A", "B" and "C", covering the N/2 Section 36-22S-37W, Kearny County, Kansas.

It is our intention to forfeit a 1/4 interest in the NW/4 Section 36 by non-payment of the April 27, 1954 rental. It is to be noted, however, that a full interest in the NE/4 and a 1/2 interest in the NW/4 expire July 29, 1954, and a 1/4 interest in the NW/4 expires November 18, 1954.

If you wish assignment of this lease in accordance with the above mentioned contract, please advise and we will have the necessary instrument prepared and executed. If you do not wish assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ E. W. COOK  
E. W. Cook  
Division Landman

RGW:oh

We do not wish assignment of the above lease and hereby release said lease from the terms of said Gas Purchase Contract; the same as though said lease had not been scheduled and dedicated thereunder.

ACCEPTED, This 20 day  
of April, 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

[fol. 468]

EXHIBIT A-58

FPC Gas Rate  
Schedule No. 84

Supplement No. 58

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

March 12, 1954

Re: AFE-4239

Contract No. 18196

Kearny County, Kansas

Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma

Attention: Mr. Russell W. Hofsess

Gentlemen:

In accordance with Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you

assignment of Lease No. 61487, covering all of Section 35-22S-37W, Kearny County, Kansas. This lease is scheduled to expire 7-28-54; however, we have recently completed a non-commercial well on said Section 35 and are planning to assign the lease to the lessor in order that he may use what gas is produced from the well\*for irrigation purposes.

If you wish assignment of this lease in accordance with the above mentioned contract, please advise and we will have the necessary instrument prepared and executed. If you do not wish assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ E. W. COOK  
E. W. Cook  
Division Landman

RGW:oh

We do not wish assignment of the above lease and hereby release said lease from the terms of said Gas Purchase Contract the same as though said lease had not been scheduled and dedicated thereunder.

ACCEPTED, This 12 day  
of March, 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

[fol. 469]

## EXHIBIT A-59

FPC Gas Rate

Schedule No. 84

Supplement No. 59

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY

OKLAHOMA CITY, OKLAHOMA

April 2, 1954

Re: AFE.4239

Contract 18,196

Stanton County

Kansas

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Attention: Mr. Russel W. Hofsess

Gentlemen:

Under date of February 8, 1954, we tendered to you assignment of Lease No. 55493, covering the N/2 Section 35-29S-40W, which was due to expire in March, 1954, and under date of January 20, 1954, we tendered to you an assignment of our Lease No. 54355, covering the NE/4 Section 33-30S-40W, which was also due to expire in March, 1954. You subsequently advised that you did not desire to accept the assignment of said leases and released same from the terms of our Contract dated June 23, 1950.

We have since consummated a farmout deal with Petroleum, Inc. and Hugoton Pay wells are being drilled on each of these sections. Consequently, it is our desire to rededicate this acreage to the terms of our Contract dated June 23, 1950, since at the time the leases were tendered to you, we did not believe that a farmout deal could be consummated. In the event you desire to accept the dedication of these leases under the terms of the above mentioned Con-



tract, kindly so indicate in the space provided below and return one copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ E. W. COOK  
E. W. Cook  
Division Landman

RGW :mw

ACCEPTED, this 4 day of  
April, 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

[fol. 470]

EXHIBIT A-60

FPC Gas Rate

Schedule No. 84

Supplement No. 60

Filing Date: 11-16-54

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA.

April 27, 1954

Re: AFE 17 388

AFE 4239

Contract 18,196

Kearny County, Kansas

Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma

Attention: Mr. Russel W. Hofsess

Gentlemen:

Under the terms of Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we are obligated to offer



you assignment of the following leases sixty days prior to their respective expiration dates, should we elect to allow such leases to expire by nondevelopment:

*21 South, 36 West*

Section 34	Lease No. 62270	SW/4	Exp. 7/29/54
	Lease No. 60064	SE/4	Exp. 7/29/54
Section 35	Lease No. 60375	NE/4	Exp. 7/27/54
	Lease No. 60382-A	NW/4	Exp. 7/28/54
	Lease No. 60561	SW/4	Exp. 7/27/54
Section 36	Lease No. 60373	NW/4	Exp. 7/27/54
	Lease No. 60374	SW/4	Exp. 7/27/54

*22 South, 36 West*

Section 1	Lease No. 60430	NE/4	Exp. 7/27/54
	Lease No. 60555	NW/4	Exp. 7/27/54
Section 3	Lease No. 59948	NE/4	Exp. 7/28/54
		W/2 &	
	Lease No. 60421	SE/4	Exp. 7/28/54
Section 4	Lease No. 61008	NE/4	Exp. 7/27/54
	Lease No. 60362	SE/4	Exp. 7/31/54
	Lease No. 65842	SW/4	Exp. 8/3/54
		NE/4 &	
Section 8	Lease No. 60311-A	NW/4	Exp. 7/27/54
	Lease No. 61465-A	SE/4	Exp. 7/28/54
Section 9	Lease No. 60363	NW/4	Exp. 7/31/54
Section 27	Lease No. 61453	All	Exp. 7/28/54
Section 28	Lease No. 61489	SW/4	Exp. 7/27/54
	Lease No. 65841	NW/4	Exp. 8/3/54
Section 29	Lease No. 60857	E/2	Exp. 7/27/54
Section 31	Lease No. 61013	SE/4	Exp. 7/27/54
	Lease No. 61014	SW/4	Exp. 7/27/54
	Lease No. 65840	NE/4	Exp. 7/31/54
	Lease No. 65838	NW/4	Exp. 7/28/54

[fol. 471]

*22 South, 37 West*

Section 36 Lease No. 60380-A	N/2	Exp. 7/29/54
Lease No. 60380-B	N/2	Exp. 9/18/54
Lease No. 60380-C	N/2	Exp. 4/27/55
Lease No. 59937	SE/4	Exp. 7/27/54

*23 South, 37 West*

Section 1 Lease No. 61710	N/2	Exp. 7/28/54
Lease No. 60016	S/2	Exp. 7/27/54

*22 South, 36 West*

Section 16 Lease No. 61012	N/2 & SW	Exp. 7/27/54
Lease No. 61464	SE/4	Exp. 7/27/54
Section 17 Lease No. 60592	NW/4	Exp. 7/27/54
Lease No. 60620	SW/4	Exp. 7/27/54
Section 18 Lease No. 61005	NE/4	Exp. 7/27/54
	W/2	
Lease No. 61007	NW/4	Exp. 7/27/54
Lease No. 61482	SE/4	Exp. 7/27/54

Stanolind has consummated a farmout of the above acreage with Petroleum, Inc., under the terms of which they are obligated to drill a Hugoton Pay well in Section 1 and 27-22S-36W and the outcome of which will determine their additional development plans as to the remaining acreage.

In view of the above, and confirming your telephone conversation with Mr. Woodard of April 23rd, it is respectfully requested that Stanolind be allowed until July 1, 1954 in which to offer to you the leases above described, should we elect so to do.

In the event you are agreeable to the above, kindly indicate your acceptance thereof in the space provided below

450

and return a copy of this letter to this office at your earliest convenience.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

Original signed by

By J. P. WARDEN

J. P. Warden

Division Landman

RGW:mw

ACCEPTED, this 5 day of  
May, 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

[fol. 472]

EXHIBIT A-61

FPC Gas Rate  
Schedule No. 84  
Supplement No. 61  
Filing Date: Nov 16 1954  
Effective Date: Accepted

Received  
Nov 16 5 12 AM '54  
Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

May 14, 1954

Re: AFE 4239  
AFE 17,520  
Contract 18,196  
Stanton County, Kansas

Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma

Attention: Mr. Russel W. Hofsess

Gentlemen:

Under the terms of Paragraph 3, of Article 4, of Gas  
Purchase Contract dated June 23, 1950, we are obligated

to offer you assignment of the following leases sixty days prior to the respective expiration dates should we elect to allow such leases to expire by nondevelopment:

Lease No. 61541	NW/4 Section 33-28S-40W	Exp. 7/31/54
Lease No. 61540	NE/4 Section 33-28S-40W	Exp. 7/31/54
Lease No. 61537	SW/4 Section 33-28S-40W	Exp. 7/31/54
Lease No. 61532	SE/4 Section 33-28S-40W	Exp. 8/1/54

Stanolind has recommended to its Management the drilling of a Hugoton well in Section 28-28S-40W, and we desire to await the outcome of this well before determining whether or not to drill in Section 33 or allow the leases therein to expire.

In view of the above, it is respectfully requested that Stanolind be allowed until July 1, 1954 in which to offer to you the leases above described, should we elect to do so.

In the event you are agreeable to the above, kindly indicate your acceptance thereof in the space provided below and return copy of this letter to this office at your earliest convenience.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

Original signed by  
By J. P. WARDEN  
J. P. Warden  
Division Landman

RGW:mw

ACCEPTED, this 18 day of  
May, 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

[fol. 473]

**EXHIBIT A-62****FPC Gas Rate****Schedule No. 84****Supplement No. 62****Filing Date: Nov 16 1954****Effective Date: Accepted****Received****Nov 16 5 12 AM '54****Federal Power Commission**

**STANOLIND OIL AND GAS COMPANY**  
**OKLAHOMA CITY, OKLAHOMA**

**May 19, 1954****Re: AFE 17,467****AFE 4239****Contract 18196****Kearny County, Kansas****Cities Service Gas Company****First National Building****Oklahoma City, Oklahoma****Attention: Mr. Russel W. Hofsess****Gentlemen:**

Under the terms of Paragraph 3, of Article 4, of Gas Purchase Contract dated June 23, 1950, we are obligated to offer you assignment of the following leases sixty days prior to the respective expiration dates should we elect to allow such leases to expire by nondevelopment:

***Township 21 South, Range 35 West***

Lease No. 60852	NE/4 Section 21	Exp. 8/9/54
Lease No. 61670	NE/4 Section 22	Exp. 7/28/54
Lease No. 60572	E/2 SE/4 Section 22	Exp. 8/11/54
Lease No. 61004	NW/4 Section 23	Exp. 7/27/54
Lease No. 60552-A	NE/4 Section 23	Exp. 7/27/54
Lease No. 60552-B	NE/4 Section 23	Exp. 9/18/54
Lease No. 60552-C	NE/4 Section 23	Exp. 9/18/54
Lease No. 61458	SE/4 Section 23	Exp. 7/29/54
Lease No. 60321	N/2 Section 24	Exp. 7/27/54

Lease No. 60381	NE/4 Section 27	Exp. 7/27/54
Lease No. 61459	NW/4 Section 27	Exp. 7/27/54
Lease No. 61706	SW/4 Section 27	Exp. 7/31/54
Lease No. 61712	SE/4 Section 27	Exp. 7/27/54
Lease No. 61010	SE/4 Section 28	Exp. 7/27/54
Lease No. 60381	N/2 Section 28	Exp. 7/27/54
Lease No. 60581	NW/4 Section 32	Exp. 7/27/54
Lease No. 60378	SE/4 Section 32	Exp. 7/27/54
Lease No. 61484	NW/4 Section 35	Exp. 7/27/54
Lease No. 60571	NE/4 Section 35	Exp. 7/27/54
Lease No. 60556	SE/4 Section 35	Exp. 7/27/54
Lease No. 62613	NW/4 Section 36	Exp. 7/27/54

Stanolind has consummated a farmout of the above acreage with Mr. N. Appleman, under the terms of which Appleman is obligated to drill a Hugoton Pay well in either Section 27 or 28-21S-35W, Kearny County, Kansas, the outcome of which will determine additional development plans as to the remaining acreage.

[fol. 474]

In view of the above, it is respectfully requested that Stanolind be allowed until July 1, 1954 within which to offer to you the leases above described, should we elect to do so.

In the event you are agreeable to the above, kindly indicate your acceptance thereof in the space provided below and return copy of this letter to this office at your earliest convenience.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

Original signed by  
By J. P. WARDEN  
J. P. Warden  
Division Landman

JEH:mw

454

ACCEPTED, this 26 day of  
May, 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

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[fol. 475]

EXHIBIT A-63

FPC Gas Rate

Schedule No. 84

Supplement No. 63

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

May 19, 1954

Re: AFE-4239

Contract No. 18196

Kearny County, Kansas

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Attention: Mr. Russell W. Hofsess

Gentlemen:

In accordance with Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of the following leases all in 22S-37W, Kearny County, Kansas, the majority of which expire in July, 1954:



Lease No.	Description	Expiration Date
59980	NE/4 Section 34-22S-37W	7-27-54
60013	SW/4 Section 26-22S-37W	7-27-54
60320	NE/4 Section 27-22S-37W	7-27-54
60420	NE/4 Section 26-22S-37W	7-27-54
60424	NW/4 Section 24-22S-37W	7-27-54
60570	S/2 NE/4 Section 3-22S-37W	7-27-54
60591	NW/4 Section 34-22S-37W	7-27-54
60593	SW/4 Section 27-22S-37W	7-27-54
61012	Insofar as covers SE/4 Section 11-22S-37W	7-27-54
61714 A&B	NE/4 Section 14-22S-37W	7-27-54
60057	NE/4 Section 26-22S-37W	7-27-54
60314	NE/4 Section 24-22S-37W	7-28-54
60315	NW/4 Section 2-22S-37W	7-28-54
60426	SW/4 Section 14-22S-37W	7-28-54
60429	NE/4 Section 2-22S-37W	7-28-54
60584	SE/4 Section 3-22S-37W	7-28-54
60587	W/2 Section 25-22S-37W	7-28-54
60587	SW/4 Section 24-22S-37W	7-28-54
61596	NW/4 Section 21-22S-37W	7-28-54
61597	W/2 Section 16-22S-37W	7-28-54
61668	SE/4 Section 27-22S-37W	7-28-54
60309	SE/4 Section 15, N/2 Section 22-22S-37W	7-29-54
60316	W/2 Section 15-22S-37W	7-29-54
60317	NE/4 Section 10-22S-37W	7-29-54
60318	S/2 Section 2-22S-37W	7-29-54
60425	S/2 Section 1-22S-37W	7-29-54
60428	W/2 and SE/4 Section 10-22S-37W	7-29-54
[fol. 476]		
60579	NW/4 Section 23-22S-37W	7-29-54
60583	NW/4 Section 11-22S-37W	7-29-54
60586	S/2 Section 12-22S-37W	7-29-54
61595	NE/4 Section 1-22S-37W	7-29-54
61602	NW/4 Section 3-22S-37W	7-29-54
59979	NE/4 Section 25-22S-37W	7-28-54



Lease No.	Description	Expiration Date
60860	NE/4 Section 23-22S-37W	7-27-54
60861	SW/4 Section 23-22S-37W	7-27-54
60862	SE/4 Section 23-22S-37W	7-27-54
63047	NE/4 Section 11-22S-37W	11-10-54
63960	SW/4 Section 11-22S-37W	12-6-54
72124	NW/4 Section 14-22S-37W	2-14-56
67856	SE/4 Section 22-22S-37W	7-20-55
61708	E/2 SE/4 Section 34-22S-37W	9-7-54
63208	NW/4 Section 1-22S-37W	10-30-54

If you wish assignment of these leases in accordance with the above mentioned contract, please advise and we will have the necessary instrument prepared and executed. If you do not wish assignments, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

Original signed by

By J. P. WARDEN

J. P. Warden

Division Landman

JEH:oh

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, the same as though said leases had not been scheduled and dedicated thereunder.

ACCEPTED, This 26 day  
of May, 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

[fol. 477]

## EXHIBIT A-64

FPC Gas Rate

Schedule No. 84

Supplement No. 64

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

June 7, 1954

Re: AFE 17,520

AFE 4239

Contract 18,196

Stanton County, Kansas

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Attention: Mr. Russel W. Hofsess

Gentlemen:

Under the terms of Paragraph 3, of Article 4, of Gas Purchase Contract dated June 23, 1950, we are obligated to offer you assignment of the following leases sixty days prior to the respective expiration dates should we elect to allow such leases to expire by nondevelopment:

*Township 29 South, Range 40 West*

Lease No. 60051	SW/4 Section 4	Exp. 7/31/54
Lease No. 61698	SE/4 Section 4	Exp. 8/1/54
Lease No. 61702	N/3 & SE/4 Section 9	Exp. 8/1/54
Lease No. 60038	NW/4 Section 10	Exp. 8/1/54
Lease No. 60692	SE/4 Section 10	Exp. 8/1/54
Lease No. 60813	SW/4 Section 10	Exp. 8/11/54
Lease No. 61538	NE/4 Section 10	Exp. 8/1/54

We are endeavoring to consummate a farmout of the above acreage, and it is, therefore, respectfully requested that Stanolind be allowed until July 15, 1954 within which to offer to you the leases above described, should we elect to do so.

In the event you are agreeable to the above, kindly indicate your acceptance thereof in the space provided below and return copy of this letter to this office at your earliest convenience.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ J. P. WARDEN  
J. P. Warden  
Division Landman

JEH:mw

ACCEPTED, this 8 day of  
June, 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

[fol. 478]

## EXHIBIT A-65

FPC Gas Rate

Schedule No. 84

Supplement No. 65

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

June 25, 1954

Re: AFE 4239

Contract 18,196

Finney County

Kansas

Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma

Attention: Mr. Russel W. Hofsess

Gentlemen:

Under the terms of Paragraph 3, of Article 4, of Gas Purchase Contract dated June 23, 1950, we are obligated to offer you assignment of the following leases sixty days prior to the respective expiration dates should we elect to allow such leases to expire by nondevelopment:

Lease No. 61562	E/2 SW/2	
	Section 14-24S-32W	Exp. 8/26/54
Lease No. 61676	NW/4	
	Section 32-23S-32W	Exp. 8/29/54
Lease No. 61917	W/2 SW/4	
	Section 2-25S-32W	Exp. 8/29/54

In connection with the lease in Section 14-24S-32W, please be advised that we are now attempting to negotiate deals for the drilling of wells in both Sections 10 and 16-24S-32W, and we are considering making a farmout whereby a well

In the event you are agreeable to the above, kindly indicate your acceptance thereof in the space provided below and return copy of this letter to this office at your earliest convenience.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

Original signed by

By J. P. WARDEN

**J. P. Warden**

#### Division Landman

JEH:mw

ACCEPTED, this            day of  
   , 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

**COPY**

[fol. 479]

## EXHIBIT A-66

PC Gas Rate

Schedule No. 84

Supplement No. 66

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 12 AM '54

Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

June 25, 1954

Re: AFE 4239  
Contract 18,196  
Haskell County  
Kansas

Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma

Attention: Mr. Russel W. Hofsess

Gentlemen:

Under the terms of Paragraph 3, of Article 4, of Gas Purchase Contract dated June 23, 1950, we are obligated to offer you assignment of the following leases sixty days prior to the respective expiration dates, should we elect to allow such leases to expire by nondevelopment:

Lease No. 61664	SE/4	Section 23-27S-32W	Exp. 8/28/54
Lease No. 61902	NW/4	Section 23-27S-32W	Exp. 8/28/54

We are endeavoring to negotiate a deal whereby a test well will be drilled in Section 27-27S-32W, and, therefore, it is requested that we be granted an extension until August 1, 1954 in which to offer assignments to the leases described above, should we elect to do so.

In the event you are agreeable to the above, kindly indicate your acceptance thereof in the space provided below and return copy of this letter to this office at your earliest convenience.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

Original signed by

By J. P. WARDEN

J. P. Warden

Division Landman

JEH:mw

ACCEPTED, this 30th day of  
(Illegible), 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

[fol. 480]

**EXHIBIT A-67****FPC Gas Rate****Schedule No. 84****Supplement No. 67****Filing Date: Nov 16 1954****Effective Date: Accepted****Received****Nov 16 5 12 AM '54****Federal Power Commission**

**-STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA**

**June 25, 1954**

**Re: AFE 4239  
Contract 18,196  
Kearny County  
Kansas**

**Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma**

**Attention: Mr. Russel W. Hofsess****Gentlemen:**

In accordance with Paragraph 3, of Article 4, of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of the following lease:

**Lease No. 61460 SW/4 Section 26-21S-35W Exp. 8/4/54**

We recently drilled a dry hole in Section 26. If you wish assignment of the lease described above in accordance with the provisions of the above mentioned Contract, please advise and we will have the necessary instrument prepared and executed. If you do not wish an assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.



Very truly yours,

STANOLIND OIL AND GAS COMPANY

Original signed by

By J. P. WARDEN

J. P. Warden

Division Landman

JEH:mw

We do not wish assignment of the above lease and hereby release said lease from the terms of said Gas Purchase Contract, the same as though said lease had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

Dated June 30, 1954

COPY

[fol. 481]

**EXHIBIT A-68****FPC Gas Rate****Schedule No. 84****Supplement No. 68****Filing Date: Nov. 16 1954****Effective Date: Accepted****Received****Nov 16 5 12 AM '54****Federal Power Commission**

[Stamp—Received Jul 14 1954, Stanolind Oil and Gas Company, Oklahoma City, Okla.]

**STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA**

**July 7, 1954****Re: AFE 17,530****AFE 4239****Contract 18,196****Stanton County, Kansas****Cities Service Gas Company****First National Building****Oklahoma City, Oklahoma****Attention: Mr. Russel W. Hofsess****Gentlemen:**

We have been endeavoring to make a farmout deal covering the acreage embraced by the oil and gas leases listed below. However, it is apparent that this deal cannot be made and, therefore, in accordance with Paragraph 3 of Article 4 of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of the following leases:

Lease No.	Description	Expiration Date
60051	SW/4 Section 4-29S-40W	7/31/54
61698	SE/4 Section 4-29S-40W	8/1/54
61702	N/2 & SE/4 Section 9-29S-40W	8/1/54
60038	NW/4 Section 10-29S-40W	8/1/54
60693	SE/4 Section 10-29S-40W	8/3/54
60813	SW/4 Section 10-29S-40W	8/11/54
61535	NE/4 Section 10-29S-40W	8/1/54

If you wish assignment of the leases described above in accordance with the provisions of the above mentioned Contract, please advise and we will have the necessary instrument prepared and executed. If you do not wish an assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ J. P. WARDEN  
J. P. Warden  
Division Landman

JEH:mw

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, the same as though said leases had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

Dated July 9, 1954

COPY

[fol. 482]

**EXHIBIT A-69****FPC Gas Rate****Schedule No. 84****Supplement No. 69****Filing Date: 11-16-54****Effective Date: Accepted****Received****Nov 16 5 12 AM '54****Federal Power Commission**

[Received Jul 22 1954, Stanolind Oil and Gas Company,  
Oklahoma City, Okla.]

**STANOLIND OIL AND GAS COMPANY****OKLAHOMA CITY, OKLAHOMA****July 9, 1954****Re: AFE 20,327****AFE 4239****Contract 18,196****Stanton County, Kansas****Cities Service Gas Company****First National Building****Oklahoma City, Oklahoma****Attention: Mr. Russel W. Hofsess****Gentlemen:**

In accordance with Paragraph 3 of Article 4 of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of the following leases:

**29 South, 40 West**

Lease No.	Description	Expiration Date
61542	All of Section 16	7/31/54
59959	W/2 Section 28	7/31/54
61913	SE/4 Section 28	8/9/54
61910	S/2 Section 29	8/3/54
60814	NE/4 Section 29	8/2/54
60043	NW/4 Section 32	8/2/54
61699	NE/4 Section 32	8/1/54
60690	SW/4 Section 32	8/1/54
60045	SE/4 Section 32	8/1/54

## 30 South, 40 West

Lease No.	Description	Expiration Date
60261-A	NW/4 Section 5	8/1/54
60261-B	NW/4 Section 5	8/1/54
60044	NE/4 Section 5	8/1/54
61696	S/2 Section 5	8/22/54
114046	NW/4 Section 8	12/11/54
61530	N/2 NE/4 & SW/4 NE/4 Section 8	8/3/54
60041	S/2 Section 8	7/31/54
60264	SE/4 NE/4 Section 8	8/1/54
60263-A	NW/4 Section 17	8/1/54
60263-B	NW/4 Section 17	8/1/54
60042	E/2 & SW/4 Section 17	7/31/54
[fol. 483]		
60270	N/2 Section 20	8/1/54
61690	SW/4 Section 20	8/2/54
59986	SE/4 Section 20	7/31/54
63890	NW/4 & E/2 SW/4, all minerals only to depth of 3400 feet, Section 32	8/15/54
61658	NE/4 Section 32	8/2/54

If you wish assignment of the leases described above, please advise and we will have the necessary instrument prepared and executed. If you do not wish an assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ J. P. WARDEN

J. P. Warden

Division Landman

JEH:mw

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, the same as though said leases had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

Dated 20 July 1954

COPY

[fol. 484]

**EXHIBIT A-70**

FPC Gas Rate

Schedule No. 84

Supplement No. 70

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16. 5 12 AM '54

Federal Power Commission

[Received Jul 22 1954, Stanolind Oil and Gas Company,  
Oklahoma City, Okla.]

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

July 9, 1954

Re: AFE 17,388

AFE 4239

Contract 18,196

Kearny County, Kansas.

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Attention: Mr. Russel W. Hofsess

Gentlemen:

By your acceptance of our letter of April 27, 1954, Cities Service granted an extension of the offering date for assignment of the leases set out therein, inasmuch as these leases were included in a farmout from Stanolind to Petroleum, Inc. Hugoton Pay wells were drilled in Sections 1 and 27-22S-36W and assignment of the acreage earned thereby has been delivered. Petroleum, Inc. has now relinquished its rights to the remaining acreage covered by this farmout, and in accordance with Paragraph 3 of Article 4 of Gas Purchase Contract dated June 23, 1950, we wish to offer to you assignment of the following leases:

Lease No.	Description	Expiration Date
<i>21 South, 36 West</i>		
62270	SW/4 Section 34	7/29/54
60064	SE/4 Section 34	7/29/54
60375	NE/4 Section 35	7/27/54
60382-A	NW/4 Section 35	7/28/54
60561	SW/4 Section 35	7/27/54
<i>23 South, 36 West</i>		
59948	NE/4 Section 3	7/28/54
60421	W/2 & SE/4 Section 3	7/28/54
61008	NE/4 Section 4	7/27/54
60362	SE/4 Section 4	7/31/54
65842	SW/4 Section 4	8/3/54
60311-A	N/2 Section 8	7/27/54
60311-B	NE/4 Section 8	7/27/54
61465-A	SE/4 Section 8	7/28/54
60363	NW/4 Section 9	7/31/54
61012	N/2 & SW/4 Section 16	7/27/54
61464	SE/4 Section 16	7/27/54
60592	NW/4 Section 17	7/27/54
[fol. 485]		
60620-A	SW/4 Section 17	7/27/54
60620-B	SW/4 Section 17	7/27/54
61086	NE/4 Section 18	7/27/54
68017	W/2 NW/4 Section 18	7/27/54
61482-A	SE/4 Section 18	7/27/54
61482-B	SE/4 Section 18	7/27/54
61482-C	SE/4 Section 18	7/27/54
61489	SW/4 Section 26	7/27/54
65841	NW/4 Section 28	8/3/54
60557	E/2 Section 28	7/27/54
61013	SE/4 Section 31	7/27/54
61014	SW/4 Section 31	7/27/54
65840	NE/4 Section 31	7/31/54
65838	NW/4 Section 31	7/28/54

Lease No.	Description	Expiration Date
	<i>22 South, 37 West</i>	
60380-A	NE/4 & NW/4 Section 36	7/29/54
60380-B	NW/4 Section 36	9/18/54
59937	SE/4 Section 36	7/27/54
	<i>23 South, 37 West</i>	
61710	N/1 Section 1	7/28/54
60016	S/2 Section 1	7/27/54

If you wish assignment of the leases described above, please advise and we will have the necessary instrument prepared and executed. If you do not wish an assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ J. P. WARDEN  
J. P. Warden  
Division Landman

JEH:mw

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, the same as though said leases had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

Dated 20 July 1954

COPY



[fol. 486]

## EXHIBIT A-71

FPC Gas Rate

Schedule No. 84

Supplement No. 71

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5.12 AM '54

Federal Power Commission

[Stamp—Received Aug 11 1954, Stanolind Oil and Gas Company, Oklahoma City, Okla.]

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

July 22, 1954

Re: AFE-4239

Contract No. 18,196

Finney &amp; Kearny Counties

K a n s a s

Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma

Attention: Mr. Russel W. Hofsess

Gentlemen:

We have been attempting to negotiate goals whereby we would in some cases either join other operators in the drilling of test wells or farmout acreage for the drilling of tests in the areas affecting our leases described below. Since we have been unsuccessful we hereby, pursuant to the terms of the Gas Purchase Contract, offer assignment of said leases to Cities Service Gas Company.

*Finney County, Kansas*

Lease No. 61562 E/2 SW Section 14-24S-32W 8/26/54

*Kearny County, Kansas*

Lease No. 61460 SW/4 Section 26-21S-35W 8/4/54

If you wish assignment of the leases described above, please advise and we will have the necessary instrument prepared and executed. If you do not wish an assignment, kindly so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ J. P. WARDEN  
J. P. Warden  
Division Landman

JEH/jm

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, dated June 23, 1950, the same as though said leases had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

Dated *July 30, 1954*

COPY

2474

[fol. 487]

EXHIBIT A-72

FPC Gas Rate

Schedule No. 84

Supplement No. 72

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 13 AM '54

Federal Power Commission

[Received Aug 17 1954, Stanolind Oil and Gas Company, Oklahoma City, Okla.]

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

August 3, 1954

Re: AFE 4239

Section 14-24S-32W

AFE 17,582

Section 32-23S-32W

AFE 17,591

Section 2-25S-32W

Contract 18,196.

Finney County, Kansas

Cities Service Gas Company

First National Building

Oklahoma City, Oklahoma

Attention: Mr. Russel W. Hofsess

Gentlemen:

Under date of June 30, 1954, in response to our letter of June 25, 1954, you granted to us an extension to August 1, 1954 within which to offer assignment covering oil and gas leases as follows:

Lease No. 61562	E/2 SW Section 14-24S-32W	Exp. 8/26/54
Lease No. 61676	NW Section 32-23S-32W	Exp. 8/29/54
Lease No. 61917	W/2 SW Section 2-25S-32W	Exp. 8/29/54

In connection with Lease No. 61562, please be advised that we are continuing our effort to either arrange for the drilling of a well in Section 14-24S-32W or, in lieu thereof, we hope to renew said lease.

Under our AFE 17,582, please be advised that we are conducting workover operations on our No. 1 Piland Unit, which is a north offset to the acreage embraced by our Lease No. 61676, and we propose to continue our efforts to make a farmout on Section 32 or, in lieu thereof, we may give consideration to the drilling of a well prior to the expiration date.

Lease No. 61917 covers the W/2 SW Section 2-25S-32W. Panhandle Eastern owns the SE NE Section 2, and we should know within a few days whether or not they will either join in the drilling of this test or farm out their interest in the unit.

We realize that all three of the leases set out above are getting very close to expiration dates; however, in view of our efforts to carry our negotiations to completion, it would be appreciated if your company could waive the right of assignment covering the acreage embraced by the subject leases.

### COPY

[fol. 488] In the event you are agreeable to the above, kindly indicate your acceptance hereof in the space provided below and return a copy of this letter to this office at your earliest convenience.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ J. P. WARDEN  
J. P. Warden  
Division Landman

JEH:mw

ACCEPTED, this 9 day of  
August, 1954

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

476

[fol. 489]

**EXHIBIT A-73**

**FPC Gas Rate  
Schedule No. 84  
Supplement No. 73  
Filing Date: Nov 16 1954  
Effective Date: Accepted**

**Received  
Nov 16 5 13 AM '54  
Federal Power Commission**

[Stamp—Illegible.]

**STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA**

**August 4, 1954**

**Re: AFE 4239  
Contract 18,196  
AFE 17,572  
Haskell County, Kansas**

**Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma**

**Attention: Mr. Russel W. Hoffsess**

**Gentlemen:**

In response to our letter of June 25, 1954 you granted to us an extension to August 1, 1954 in which to offer to your company an assignment to the following described oil and gas leases:

Lease No. 61864	SE/4 Section 23-27S-32W	Exp. 8/28/54
Lease No. 61902	W/4 Section 23-27S-32W	Exp. 8/28/54

As we advised in our letter of June 25, 1954 we made an attempt to negotiate a farmout deal whereby a test well would be drilled in Section 37 27S-32W; however, we were

unsuccessful in doing so and therefore, pursuant to the provisions of the Cities Service Contract, we hereby offer to you assignment of the oil and gas leases set out above.

If you wish assignment of the leases described above, please advise and we will have the necessary instrument prepared and executed. If you do not wish an assignment, please so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ J. P. WARDEN  
J. P. Warden  
Division Landman

JEH:mw

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, the same as though said leases had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By

Dated

COPY

478

[fol. 490]

**EXHIBIT A-74**

**FPC Gas Rate**

**Schedule No. 84**

**Supplement No. 74**

**Filing Date: Nov 16, 1954**

**Effective Date: Accepted**

**Received**

**Nov 16 5 13 AM '54**

**Federal Power Commission**

**[Stamp—Illegible.]**

**STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA**

**August 13, 1954**

**Re: AFE 17,514**

**AFE 4239**

**Contract 18,195**

**Morton County, Kansas**

**Cities Service Gas Company**

**First National Building**

**Oklahoma City, Oklahoma**

**Attention: Mr. Russel W. Hofsess**

**Gentlemen:**

We drilled a well in Section 12-31S-41W, Morton County, Kansas. The unit comprised the NE/4, SE/4 and W/4 Section 12 and the NE/4 Section 13-31S-41W. The test has only recently been plugged and abandoned. Therefore, pursuant to the provisions of the Cities Service Gas Contract dated June 23, 1950, we hereby offer to you assignment covering the oil and gas lease listed below:

**Lease No. 61518 NE/4 Section 13-31S-1W Exp. 8/26/54**

If you wish assignment of the lease described above, please advise and we will have the necessary instrument prepared and executed. If you do not wish an assignment,

please so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ J. P. WARDEN  
J. P. Warden  
Division Landman

JEH:mw

We do not wish assignment of the above lease and hereby release said leases from the terms of said Gas Purchase Contract, the same as though said lease had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By

Dated

COPY



[fol. 491]

**EXHIBIT A-75**

**FPC Gas Rate**

**Schedule No. 84**

**Supplement No. 75**

**Filing Date: Nov. 16 1954**

**Effective Date: Accepted**

**Received**

**Nov 16 5 13 AM '54**

**Federal Power Commission**

[Stamp—Received Aug 30 1954, Stanolind Oil and Gas Company, Oklahoma City, Okla.]

**STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA**

**August 19, 1954**

**Re: AFE 4239  
Contract 18,196  
Hugoton Area  
Kansas**

**Cities Service Gas Company  
First National Building  
Oklahoma City, Oklahoma**

**Attention: Mr. Russel W. Hofsess**

**Gentlemen:**

We have been attempting to negotiate deals whereby we would in some cases join other operators in the drilling of test wells or farm out acreage for the drilling of test wells in the areas affecting our leases described below, and where we have had difficulty in working out these deals, we are in practically all cases attempting to renew our leases. However, to date we have been unsuccessful in renewing the leases set out below and, therefore, pursuant to the provisions of Gas Sales Contract dated June 23, 1950, we hereby offer to you assignments thereof:

Lease No.	Description	Expiration Date	Comments
<i>Finney County</i>			
6833	137 ac. in Sec. 20-24S-32W	9/6/54	We have a proposed test set up under AFE 17,607 covering acreage in Secs. 19 & 20 south of the river and east of Highway 83; however, the 137 ac. described above is not in the unit.
6829 B	NW/4 Sec. 36-26S-32W	9/15/54	We are trying to renew this lease.
6819 B	SW/4 Sec. 10-24S-32W	9/25/54	This lease has been renewed and therefore is not included in this offer.
<i>Tuskell County</i>			
6925	SE/4 Sec. 10-29S-32W	9/1/54	We have been attempting to renew this lease; however, we have not been able to do so to date.
[fol. 492]			
<i>Kearny County</i>			
61708	E/2 SE/4 Sec. 34-22S-37W	9/7/54	Trying to renew.
61717	SE/4 Sec. 26-21S-35W	9/15/54	We drilled a dry hole on this section.
60552 B & C	NE/4 Sec. 23-21S-35W	9/18/54	We had this acreage in a farmout deal; however, the well will not be drilled in Section 23.
<i>Morton County</i>			
60778 B	SW/4 Sec. 35-32S-41W	9/13/54	Our plans for drilling a test in this area did not materialize. We are attempting to renew this lease.

Insofar as our records disclose, this report covers all acreage expiring in September, 1954. We have only a few leases expiring in October, 1954, upon which a report will be submitted within a few days.

If you wish assignment of the leases described above, please advise and we will have the necessary instrument prepared and executed. If you do not wish an assignment, please so indicate in the space provided below and return a signed copy of this letter to this office.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ J. P. WARDEN

J. P. Warden

Division Landman

JEH:mw

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, the same as though said leases had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

Date 8-26-54

[fol. 493]

**EXHIBIT A-76****FPC Gas Rate****Schedule No. 84****Supplement No. 76****Filing Date: Nov 16 1954****Effective Date: Accepted****Received****Nov 16 5 13 AM '54****Federal Power Commission****STANOLIND OIL AND GAS COMPANY****FIRST NATIONAL BUILDING****OKLAHOMA CITY, OKLAHOMA****August 25, 1954****Re: AFE 4239****Contract 18,196****Hugoton Field Area****Kansas****Cities Service Gas Company****First National Building****Oklahoma City, Oklahoma****Attention: Mr. Russel W. Hofsess****Gentlemen:**

Under the terms of Paragraph 3, Article 4, of Gas Purchase Contract dated June 23, 1950, we are obligated to offer to you assignment of the following leases sixty days prior to the expiration date:

**Lease No. 62173—NW/4 Section****25-21S-35W—Exp. 10/26/54****Lease No. 62174—SW/4 Section****25-21S-35W—Exp. 10/26/54**

If you wish assignment of the leases described above, please advise. If you do not wish assignment, kindly indicate in the space provided below and return a signed copy of this letter to this office.

We also advise you that we are continuing our efforts to purchase a renewal lease on our Lease No. 62440, NE/4 Section 32-23S-32W, which expires on October 2, 1954. We should have definite word on this lease by the first of next week or later.

Very truly yours,

STANOLIND OIL AND GAS COMPANY

By /s/ J. P. WARDEN  
J. P. Warden  
Division Landman

CNM:mw

We do not wish assignment of the above leases and hereby release said leases from the terms of said Gas Purchase Contract, the same as though said leases had not been scheduled and dedicated thereunder.

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

Dated 8-26-54

[fol. 494]

## EXHIBIT "C"

FPC Gas Rate

Schedule No. 84

Supplement No. 77

Filing Date: Nov 16 1954

Effective Date: Accepted

Received

Nov 16 5 06 AM '54

Federal Power Commission

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the matter of the appli- )  
 cation of certain royalty )  
 owners in the Hugoton )  
 Gas Field requesting or- )  
 ders as to a fixed price )  
 and measurement regula- )  
 tions in said Hugoton Gas )  
 Field. )

DOCKET No. 44,079-C  
 (C-3216)

CONSERVATION  
 DIVISION

## ORDER

Now on this 2nd day of December, 1953, the above-entitled matter comes before the Commission for further consideration and final disposition. The Commission, having examined the petition, files and record, and being fully advised in the premises, finds:

1. That the petition herein was filed by the Southwest Kansas Royalty Owners Association, a non-profit corporation, and certain individuals who are the owners of minerals in place or royalty interests in the Hugoton Gas Field, and that it is a petition for a new minimum wellhead price in said field of 14 cents per M.c.f. on a pressure basis of 16.4 pounds per square inch or in the alternative not less than 12 cents per M.c.f. measured on a pressure basis of 14.65 pounds per square inch.

2. That after due notice a public hearing was scheduled at the Allis Hotel, Wichita, Kansas, on September 26, 1952,

at which time on motion of certain intervenors the matter was continued to October 20, 1952, in Topeka, and that hearings were held thereon at Topeka on October 20, 21, 22 and 23, 1952, December 15, 16, 17, 18 and 19, 1952, and January 14, 15 and 16, 1953.

[fol. 495] 3. That appearances were entered on behalf of the following: Southwest Kansas Royalty Owners Association and certain individual petitioners by Howard T. Flee-son, Dale M. Stucky, both of Wichita, and A. E. Kraemer, Hugoton, their attorneys; Northern Natural Gas Company by its attorneys Lawrence I. Shaw, Omaha, Nebraska, and Mark Adams, Wichita; Panhandle Eastern Pipe Line Com-pany by its attorneys Edward H. Lange, Kansas City, Missouri, Louis R. Gates, Kansas City, Kansas, and Mark Adams, Wichita; Cities Service Gas Company by its attor-neys O. R. Stites, Sr., and Joe Rolston, both of Oklahoma City, Oklahoma, Mark Adams, Wichita, and O. R. Stites, Jr., of Topeka; Kansas-Nebraska Natural Gas Company by its attorneys James Conway, Hastings, Nebraska, and M. F. Cosgrove, Topeka; Kansas-Colorado Utilities by its attorney Harold Bolton, Abilene. Other appearances in-clude: Consumers Cooperative Association, et al. by their attorney Phillip Dergeance, Lawrence; Lehigh Portland Cement Company by its attorney Frederick G. Apt, of Iola, and R. F. Jones; Coleman Company of Wichita by A. A. Knapp; the Office of Price Stabilization by its attorney Frank Theis of Arkansas City; the Eastern Kansas Gas Company of Iola, by J. H. Page and John McNally, both of Iola; Kansas Association of Municipal Utilities by its at-torney Charles W. Lower, Kansas City, Kansas. That the following attorneys appeared on behalf of cities of Kansas as their respective city attorneys: James W. Wallace, Scott City; C. J. Brennaeisen, Kansas City, Kansas; O. C. Jordan, Beloit; Casey Jones, Hill City; Corwin Spencer, Oakley; H. D. Oelschlaeger, Plainville; Max Jones, Goodland; Sam W. G. Lowe, Colby; F. A. Sloan, Hoxie; Charles Stough, Lawrence and Fred W. Aley, Wichita; that James A. McClure, Robert L. Webb, Ralph W. Oman, all of Topeka, [fol. 496] and Jerome M. Joffe of Kansas City, Missouri, [since deceased] appeared, representing a group of pro-



testing cities. Jay Kyle, General Counsel and R. C. Woodward, Special Counsel, appeared for the Commission and the public generally. That the Commission has jurisdiction of the subject matter and of the parties.

4. That since the public hearings referred to in Finding No. 2, the Commission entered an order on May 20, 1953, in its Docket No. 34,780-C (C-1825) changing the definition of "Gas, Cubic Foot," as defined by Commission Rule 82-2-201 adopted December 24, 1947, and on file with the Revisor of Statutes pursuant to Laws 1947, Chapter 440. That said order made specific findings relating to the obsolescence of its former rule relating to "Gas, Cubic Foot," which was statewide in its application, and as a result thereof adopted a new definition of "Gas, Cubic Foot," pursuant to its statutory authority (G. S. 1949, Chapter 55, Article 7, as amended). That said definition applies to each and every gas field in the State of Kansas except those wells specifically prohibited from regulation by the proviso in G. S. 1949, 55-703, and applies to all withdrawals of gas in the State of Kansas since July 1, 1953, 12:01 a.m.; said rule as amended is currently on file with the Revisor of Statutes in accordance with G. S. 1949, 77-405 et seq.

5. That in Docket No. 35,154-C (C-1868) on February 18, 1949, the Commission promulgated an Interim Order, in which findings included *inter alia* that in the interest of conservation the fair and reasonable minimum price of natural gas at the wellhead in the Hugoton Field should be eight cents (8¢) per M.c.f., and that all takers of gas from [fol. 497] said field would attribute thereto for purposes of payments to producers, landowners, lease owners and royalty owners, the fair and reasonable minimum price of eight cents (8¢) per M.c.f. at the wellhead until further order of the Commission in the investigation instituted by it in Docket No. C-164.

6. That subsequent to the Interim Order dated February 18, 1949, Kansas-Nebraska Natural Gas Company and Northern Natural Gas Company filed applications for judicial reviews thereof in the District Court of Finney County,



Kansas, under the provisions of the Laws of 1945, Chapter 233, Section 9; that likewise, under the same authority, Panhandle Eastern Pipe Line Company brought a similar action in the District Court of Seward County, Kansas; and that Cities Service Gas Company filed a complaint against the Commission in the United States District Court for the District of Kansas, which subsequently was dismissed by that company. The three cases in the state courts were consolidated for hearing before the District Court of Finney County sitting both in the capacity of Judge of Finney County District Court and Judge pro tem of Seward County District Court. From adverse decisions in the district courts, all three takers of gas (Kansas-Nebraska, Northern and Panhandle) took appeals to the Supreme Court of Kansas, which upheld the district courts and sustained the Commission's authority to establish the minimum wellhead price of eight cents (8¢) per M.c.f., (*Kansas-Nebraska Natural Gas Co. v. State Corporation Commission*, 169 Kan. 722). The three appellants subsequently filed motions for rehearing which were denied by the Supreme [fol. 498] Court, (*Kansas-Nebraska Natural Gas Co. v. State Corporation Com.*, 170 Kan. 341). Following the two Supreme Court decisions just referred to, the Commission in the original docket by appropriate order dated February 21, 1951, promulgated an implementing order to its Interim Order and later entered an Order Nunc Pro Tunc on March 8, 1951, in said docket, to correct an error in its order of February 21, 1951. The Commission, at the time it entered its Interim Order of February 19, 1949, wrote a Memorandum Opinion under date of February 23, 1949, which related some of the history of the field, the powers of the Commission and generally the Commission's jurisdiction over the conservation of this irreplaceable natural resource and the production of gas in the Hugoton Field of Kansas. It would be unnecessarily repetitious to set out here the contents of that Memorandum Opinion.

7. That the proceeding in this docket is not a rate matter.

8. The Commission as of this date has entered in this docket a Memorandum Opinion which should be incorporated herein and made a part of this order by reference.

9. That because of the voluminous record and the widespread interest in the subject matter, not only in the interest of conservation and protection of correlative rights but also because of the possible effect the decision herein may have on certain classes of rates to consumers, we have felt impelled to re-examine the question of a reasonable minimum wellhead price structure in the Kansas Hugoton Gas Field which is now furnishing gas to more than one-fourth of the states of the Union.

[fol. 499] 10. It is not disclosed by the record before us that the eight-cent (8¢) price adopted by the Commission through its Interim Order of February 18, 1949, and now in effect, has had any adverse effect upon marketing or marketing conditions in the field or that it has adversely affected ultimate domestic consumer rates. Promulgation of a minimum price is a paramount factor in conservation and the protection of correlative rights. Having a low value in the stages of production, gas can be used uneconomically and wastefully because of the low commercial price being paid at the wellhead. That an important source of gas for the economy of not only Kansas but many other states is the Kansas portion of the Hugoton Gas Field; that gas is not now competitive with other fuels, namely, oil and coal; that the cheapness of gas is conducive to waste as prohibited by statute.

11. That conditions exist which, coupled with known differentials in transportation costs, adversely affect correlative rights.

12. Public records of this Commission clearly indicate that since February, 1948, the number of wells in the field has more than tripled, and that ultimate development of the field is rapidly approaching. All of this leads to the inevitable conclusion that withdrawals from the field are nearing their peak, and also carries the warning that practices of conservation must be heightened if the public is to enjoy the fullest recovery of gas from the Hugoton Field.

13. A true stimulant to conservation is price, and a low price is conducive to waste which is specifically prohibited

by G. S. 1949, 55-701. Experience in the Hugoton Field since 1949, the year of the first minimum wellhead order, has shown that a floor price in the interest of conservation [fol. 500] supports the concept of conservation by economic uses and the avoidance of waste. It is apparent this can be best accomplished through a realistic minimum field price for this precious fuel.

14. Since price is a prime factor in avoiding various types of waste, strengthening that factor strengthens conservation in the Hugoton Field.

15. The minimum price of eight cents (8¢) per M.c.f. at the wellhead adopted by the Interim Order of February 18, 1949, is not now an effective conservation measure for the various reasons amplified in the Memorandum Opinion.

16. That a fair and reasonable minimum wellhead price to be attributed to all gas taken from the field, except gas used for lease operations, is in the public interest and welfare, encourages conservation, furthers the avoidance of discrimination and helps to promote orderly development and exploration.

17. That currently a fair and reasonable minimum price for gas at the wellhead in the Hugoton Field is eleven cents (11¢) per M.c.f. (14.65 pounds p.s.i.a.).

18. That all persons, firms or corporations which take gas or cause gas to be taken from the Kansas Hugoton Gas Field on and after January 1, 1954, 12:01 a.m., should be required, as a condition precedent for withdrawal from the common source of supply, to pay or attribute to all gas taken, except gas for the operations of leases, for all purposes including payments to producers, landowners, lease owners and royalty owners, the fair and reasonable minimum price of not less than eleven cents (11¢) per M.c.f. (14.65 pounds p.s.i.a.) at the wellhead.

19. That the petition herein should not be granted on either basis requested.

IT IS, THEREFORE, BY THE COMMISSION ORDERED: That the Memorandum Opinion entered herein this date be, and the same is, hereby incorporated and made a part of this order by reference.

IT IS FURTHER BY THE COMMISSION ORDERED: That the petition herein be, and the same is, hereby denied.

IT IS FURTHER BY THE COMMISSION ORDERED: That all persons, firms or corporations which take gas or cause gas to be taken from the Hugoton Gas Field in Kansas on and after January 1, 1954, 12:01 a.m., shall, as a condition precedent for withdrawal from the common source of supply, pay or attribute to all gas taken, except gas for the operations of leases, for all purposes including payments to producers, landowners, lease owners and royalty owners, the fair and reasonable minimum price of not less than eleven cents (11¢) per M.c.f. (14.65 pounds p.s.i.a.) at the wellhead until further order or orders of this Commission.

The Commission retains jurisdiction of the subject matter and the parties for the purpose of entering such further order or orders, and promulgating and implementing such further rules and regulations as from time to time it may deem proper.

BY THE COMMISSION IT IS SO ORDERED.

RAYMOND B. HARVEY  
Raymond B. Harvey, Secretary

(SEAL)

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[fol. 502]

Received  
May 4 10 52 AM '55  
Federal Power Commission

STANOLIND OIL AND GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

P. O. Box 1654  
April 5, 1955

Subject: Letter Agreement  
Elliott Gas Unit  
Hugoton Field, Kansas

Cities Service Gas Company  
P. O. Box 1995  
Oklahoma City, Oklahoma

Gentlemen:

We have recently acquired a lease on a 2.65 acre tract in Section 36-28S-33W, Haskell County, Kansas. All other acreage to be included in the Elliott Gas Unit to be comprised of leases in this section is dedicated to the gas purchase contract dated June 23, 1950, between you and us.

We desire to dedicate to said contract of June 23, 1950, the additional 2.65 acres referred to above. Attached hereto is Exhibit "A" giving complete description of the tract above mentioned.

If you are agreeable to amending said gas purchase contract to include this additional acreage, will you please so indicate by signing this letter in the space provided below for your acceptance.

Yours very truly,

STANOLIND OIL AND GAS COMPANY

By /s/ K. W. BOLT  
Its Attorney-in-Fact

Approved—NS, JEK, LMP

Attachment  
Accepted this 13th day  
of April, 1955

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

18196

1. This filing is submitted pursuant to Commission Order No. 197 to reflect .65% reimbursement of the Kansas gas severance tax of 1% effective July 1, 1957 levied on producers by act of the Kansas Legislature in House Bill No. 383.

2. Such reimbursement is provided by Article XII of the contract dated June 23, 1950, between Pan American Petroleum Corporation and Cities Service Gas Company on file with the Commission and designated Pan American FPC Gas Rate Schedule No. 84.

[fol. 509] 3. A copy of this filing was served on the buyer as required by the Commission's Regulations on June 28, 1957.

4. Comparison of prices prior to and subsequent to such change in price (Cents per MCF):

Date	Base Price per Mcf	Tax Reimbursement per Mcf	Total Price per Mcf
June 30, 1957	11¢	—0—	11¢
July 1, 1957	11¢	.0715¢	11.0715¢

Sales for 12 months ending March 31, 1957 58,489,163 Mcf.  
(on 14.65 # pressure base)

This filing is being made under the compulsion of Order No. 174-B, which was issued without notice and a hearing. The undersigned believes that said order is subject to certain procedural defects and that, in some respects, it exceeds the authority delegated to the Commission by the Natural Gas Act and is, therefore, to that extent invalid. In addition, it is impossible, in this instance, for the undersigned to determine with certainty whether said order applies to it. The undersigned does not desire to incur the penalties which would be imposed upon it for violating those portions of the order which are of questionable meaning or of doubtful validity, especially in the event the order is ultimately determined to be definite or valid in those respects. Therefore, this filing is made under protest without prejudice to the undersigned's right to attack the validity of said order by pending or future proceedings before the Commission or in the courts, and nothing here-



in shall be deemed to constitute a waiver of said right. If it should be judicially determined that said order is invalid as to others in respects which are applicable to the [fol. 510] undersigned, then the fact that the undersigned has, in the meantime, complied with said order shall not deprive it of its right thereafter to rely upon such determination.

This filing is made solely to comply with the provisions of Section 154.94 of Order No. 174-B. The undersigned reiterates that all contract prices and pricing provisions to which this notice refers are currently effective and operative under its contract and as parts of the initial Rate Schedule previously effective, filed with, and accepted by the Commission. A change in price pursuant to the provisions of said contract as constituted on the date of the initial filing thereof is not a "change" to the contract or Rate Schedule within the meaning of Section 4 of the Natural Gas Act, and is, therefore, not a "change in rate." The provisions of Section 154.94 or other sections of the rules, which purport to abrogate contract provisions, or require the filing of notices of "changes in rates" in such instances, are thus invalid to the extent that they are inconsistent with Section 4 of the Act. In transmitting this filing, the undersigned does not waive its objections to this requirement of the rules, or its right to raise such objection before the Commission or in the courts.

This filing has no applicability to the prices and pricing provisions covered hereby to the extent that such prices and pricing provisions relate to sales of natural gas in intrastate commerce.

Please address all inquiries and correspondence in this matter to the following:

John F. Jones, Attorney  
511 South Boston Avenue  
Tulsa 3, Oklahoma

Respectfully submitted,

PAN AMERICAN PETROLEUM CORPORATION

By /s/ NORTON STANDEVEN  
Norton Standeven, Attorney  
P. O. Box 1654  
Oklahoma City 1, Oklahoma

[fol.503]

**Exhibit "A"**

**Stanolind  
Lease  
No.**

**Lessor**

**Lessee**

**Date of Contract**

**Lands Covered**

**141,547**

**Sublette District No. 3  
Haskell County, Kansas,  
by W. E. Orth, Dale Mc-  
Lain, and Harold Ander-  
son, Members of the  
Board**

**Stanolind Oil and  
Gas Company**

**November 1, 1954**

**Block 70  
Section 36-28S-33W  
Haskell County,  
Kansas**



[fol. 504]

FPC Gas Rate

Schedule No. 84

Supplement No. 79

Filing Date: May 12 1955

Effective Date: 6-12-55

Received

May 12 4 04 PM '55

Federal Power Commission

STANOLIND OIL AND GAS COMPANY

OKLAHOMA CITY, OKLAHOMA

P. O. Box 1654

April 12, 1955

Subject: Letter Agreement

Hicks Gas Unit "B"

Hugoton Field, Kansas

Cities Service Gas Company

P. O. Box 1995

Oklahoma City, Oklahoma

Gentlemen:

We have recently acquired a lease on two tracts in Section 2-25S-32W, Finney County, Kansas. All other acreage to be included in the Hicks Gas Unit "B" to be comprised of leases in this section is dedicated to the gas purchase contract dated June 23, 1950, between you and us.

We desire to dedicate to said contract of June 23, 1950, these additional two tracts referred to above. Attached hereto is Exhibit "A" giving complete description thereof.

If you are agreeable to amending said gas purchase contract to include this additional acreage, will you please so indicate by signing this letter in the space provided below for your acceptance.

Yours very truly,

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL

Its Attorney-in-Fact

Approved—NS

Attachment

Accepted this 27th day  
of April, 1955

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH

COPY

18196

[fol. 505]

Exhibit "A"

Stanolind Lease No.	Leasor	Lessee	Date of Lease	Lands Covered	Ownership of W. I.
141429	Inez S. Bristow	Panhandle East- ern Pipe Line Company	November 18, 1953	SE/4 NE/4 Section 2-25S-32W, Finney County, Kansas, as to gas rights only in Permian gas pro- ducing horizons.	Stanolind 100%
141546	Carrie Brooks	Stanolind Oil and Gas Company	September 7, 1954	W/2 SW/4 Section 2- 25S-32W, Finney County, Kansas	Stanolind 100%

Received  
May 12 4 04 PM '55  
Federal Power Commission

[fol. 506]

# **EXHIBIT D** **STANOLIND OIL AND GAS COMPANY**

## **GAS-STATEMENT**

**Contract #18196**

RETAIN THIS STATEMENT FOR INCOME TAX PURPOSES  
 DUPLICATE WILL NOT BE FURNISHED WITHOUT CHARGE

2  
 COPIES 1 31704 1 99900

<b>OPERATOR</b>	<b>STANOLIND OIL AND GAS COMPANY</b>
<b>LEASE &amp; No.</b>	<b>BARBEN GAS UNIT D • 21 28</b>
<b>LOCATION</b>	<b>KEARNY COUNTY KANSAS.</b>
<b>FIELD</b>	<b>HUGOTON 423</b>
<b>SOLD TO</b>	<b>STANOLIND OIL AND GAS COMPANY</b>
<b>STATION No.</b>	<b>BLM 015009</b>

Mo. Yr. Produced	Gross M.C.F. or Gallons	Average Price	Gross Value Gas or Gasoline	Gross Value Residue Gas	Gross Value Other Products	Total Gross Value Before Tax
5 54	4091	.11	15 67	450 01	90 20 01	485 69

  

Mo. Yr. Entered	Production Tax	New Mexico G.O. Tax	Misc. Tax	Total Tax	Total Gross Value After Tax
5 54	1 53			1 53	484 16

[fol. 507]

5-7-90

**CITIES SERVICE GAS COMPANY  
GAS PURCHASED FROM OTHERS  
May, 1954**

Page 17

Sta. No.	Company	Cont. No.	S Oz.	14.65 # With Basis Rate	16.4 # Amount
<b>KANSAS "B" ACREAGE</b>			<b>745.112 FIELD PURCHASES-</b>		
<b>STANOLIND OIL &amp; GAS COMPANY</b>			<b>OTHERS—KANSAS</b>		
		777		10	.11
6726	Abolt #1	21	2	07	101 87
6617	Anderson 1B	17			106 47
6348	Andes #1	19			92 61
6531	Baker #1, Paul	31			72 37
6285	Barben #1	32			50 69
6286	Barben B-1	33			52 98
6287	Barben "C"	34			267 85
					279 73
					243 50
					266 33
					278 58
					242 12
					373 90
					390 79
					339 91
					369 26
					385 94
					335 69
<b>Contract</b>					
<b>= 18196</b>					
6650	Barben D-1	28			39 17
6457	Bardwell 1	35			40 91
6542	Barrow #1 See Joint Int.				42 55
6994	Beaty 1	98			37 07
6290	Beaty B-1	41			78 20
6462	Beaty C	58			81 73
6630	Beaty D-1	72			71 09
6644	Beaty E	73			243 61
6635	Beaty "F"	77			254 41
6289	Beaty, May #1	39			95 58
6894	Beaty, May "B"	69			83 20
6862	Beaty, May "C"	90			278 92
6863	Beaty, May "D"	91			291 04
6856	Beaty, May "E"	92			253 56
7027	Beaty, May "F"	89			228 31
6921	Beaty 1. R. T.	83			198 74
6291	Bender 1	48			91 78
6893	Bentley	85			95 93
6292	Bentrup #1	49			83 44
					32 29
					33 72
					29 35
					51 81
					54 15
					47 10
					78 28
					81 75
					71 16
					60 93
					63 63
					55 39
					53 25
					55 66
					48 41
					25 59
					26 72
					23 26
					52 56
					54 93
					47 78
					15 40
					16 10
					14 00
					28 40
					29 66
					25 82
					89 50
					93 47
					81 36

Sta. No.	Company	Cont. No.	8 Oz.	14.65 # With Basis Rate	16.4 # Amount
6425	Bentrup "B"	<i>70</i>	129 80	135 66	118 00
6432	" C-1	<i>71</i>	44 88	46 87	40 80
6745	" D-1	<i>68</i>	166 46	173 85	151 33
6685	Bereman #1	<i>63</i>	721 00	753 57	655 45
6293	Beymer C-1	<i>46</i>	23 21	24 26	21 10
6647	" E-1	<i>76</i>	38 54	40 25	35 04
6645	" D-1	<i>75</i>	53 46	55 88	48 60
6854	Branine	<i>103</i>	64 55	67 46	58 68
6349	Brattin #1	<i>65</i>	25 34	26 51	23 04
6866	Bronk	<i>86</i>	42 21	44 11	38 37
6952	Brown, E. A.	<i>114</i>	106 72	111 46	97 02
6897	Bucklin	<i>110</i>	36 97	38 67	33 61
6296	Burden 1	<i>95</i>	34 94	36 54	31 76
6533	" B-1	<i>96</i>	24 04	25 12	21 85
6297	Campbell B-1	<i>119</i>	41 95	43 88	38 14
6298	" D-1	<i>121</i>	43 15	45 07	39 23
6610	Chadd #1	<i>136</i>	23 51	24 59	21 37
6861	Cleary Gas Unit	<i>174</i>	89 22	93 18	81 11
6299	Cohen	<i>153</i>	46 13	48 22	41 94

Italicized numerals are handwritten.

[fol. 508]

## EXHIBIT "A"

June 28, 1957

FPC Gas Rate  
 Schedule No. 84  
 Supplement No. 80  
 Filing Date: 7-1-57  
 Effective Date: 7-1-57

Received  
 Jul 1 4 54 PM '57  
 Federal Power Commission

Letter of Transmittal

Notice Relative to Rate )  
 Schedule No. 84 of PAN )  
 AMERICAN PETROLEUM )  
 CORPORATION, an Indepen- )  
 dent Producer in Compli- )  
 ance with Federal Power )  
 Commission Order No. )  
 174-B (Pan American )  
 Contract No. 18,196 )

Supplement No. .... to  
 Rate Schedule No. 84

Secretary  
 Federal Power Commission  
 Washington 25, D. C.

Dear Sir:

This filing is made subject to all of the reservations set out in the Application for a Certificate of Public Convenience and Necessity in Docket No. G-4904 and in the original filing of the captioned contract as an Initial Rate Schedule. Pan American denies that it is a natural gas company under the Natural Gas Act or that it is subject to the jurisdiction of the Commission with respect to the transaction referred to herein, but in compliance with the regulations of the Commission submits this notice of a change in price.

Pursuant to Order No. 197 issued by the Commission on May 23, 1957, the following is submitted:

[fol. 511]

FPC Gas Rate

Schedule No. 84

Supplement No. 81

Filing Date: 9-26-57

Effective Date: 10-30-56

Received

Sep 26 4 21 PM '57

Federal Power Commission

STATE OF KANSAS )

) SS.

COUNTY OF KEARNY )

## ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

THAT, in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations, the receipt and the sufficiency of which are hereby acknowledged, STANOLIND OIL AND GAS COMPANY, a corporation (hereinafter referred to as "Assignor"), hereby does bargain, sell, assign, transfer and convey unto GRAHAM-MICHAELIS DRILLING COMPANY, a co-partnership, composed of W. A. Michaelis, Jr., William L. Graham and Marjorie Lois Graham, its successors and assigns (hereinafter referred to as "Assignee"), all its right, title and interest in and to the following described oil and gas leases, covering land situated in Kearny County, State of Kansas, to wit:

*Lease No. 77830:*

Lessor: Edmund R. Coring, et ux.  
 Lessee: Joe E. Denham  
 Date: December 19, 1946  
 Recorded: Book 15, at page 42

*Lease No. 77865:*

Lessor: Melvina Steen, et vir.  
 Lessee: Joe E. Denham  
 Date: December 19, 1946  
 Recorded: Book 15, at page 136

insofar as said leases cover the gas rights only in all horizons or strata from the surface to, but not below, the base



of the Hugoton Pay Zone lying in and under the following described land in said County and State, to wit:

The West Half (W/2) and the Northeast Quarter (NE/4) of Section Eight (8), Township Twenty-Three South (T23S), Range Thirty-Seven West (R37W),

expressly excepting and reserving unto the Assignor, its successors and assigns, all right, title and interest in and to said oil and gas leases insofar as said leases cover the oil rights in all horizons or strata lying in and under said land and the gas rights in all horizons or strata lying in and under said land below the base of the Hugoton Pay Zone [fol. 512] (said leases and land above described, to the extent that said leases cover the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under said land, hereinafter sometimes being referred to as the "lease acreage"), subject to the following terms, covenants and conditions, to wit:

1. The lease acreage covered hereby is assigned by the Assignor and accepted by the Assignee subject to the overriding royalties, production payments, net profits obligations, carried working interests and other payments out of or with respect to production which are of record and with which said lease acreage is encumbered; and the Assignee hereby assumes and agrees to pay, perform or carry, as the case may be, each of said overriding royalties, production payments, net profits obligations, carried working interests and other payments out of or with respect to production, to the extent that it is or remains a burden on the lease acreage herein assigned.

2. In addition to any and all other overriding royalties, production payments and other encumbrances to which said lease acreage may be subject, the Assignor hereby excepts and reserves unto itself, its successors and assigns, an overriding royalty of one-eighth of seven-eighths ( $\frac{1}{8}$  of  $\frac{7}{8}$ ) of all the gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay



Zone lying in and under the land above described and in and under land with which the land above described may be pooled, unitized or consolidated, the market value (at the well) of which shall be paid to the Assignor free of all cost and expense, except taxes on production; provided, that, in the event the leases above described cover less than all the gas mineral rights in and to the land above described from the surface thereof to, but not below, the base of the Hugoton Pay Zone, said overriding royalty, insofar as it pertains to gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under said land, shall be proportionately reduced so as to be equal to that proportion of one-eighth of seven-eighths ( $1\frac{1}{8}$  of  $\frac{7}{8}$ ) of said gas which the interest in and to said gas mineral rights in said horizons or strata under said land covered by said leases bears to the full and undivided gas mineral estate in said horizons or strata under said land; and provided, further, that in the event the land above described has been, or shall be, pooled, unitized or [fol. 513] consolidated with other land so as to form a drilling unit of approximately six hundred forty (640) acres in size, then said overriding royalty, insofar as it pertains to the gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land included in said unit, shall be proportionately reduced, or further proportionately reduced if the first proviso be applicable thereto, so as to be equal to that proportion of one-eighth of seven-eighths ( $1\frac{1}{8}$  of  $\frac{7}{8}$ ) which the acreage above described, included in said unit, bears to all the acreage in said unit.

3. With respect to the overriding royalty herein accepted and reserved by the Assignor, the Assignor and the Assignee agree as follows:

- (a) That said overriding royalty shall extend to any extensions or renewals of the leases above described.
- (b) That gas used in drilling and operations on said lease acreage and in the handling of production therefrom shall be deducted before said overriding royalty is computed.

- (c) That the Assignee shall furnish to the Assignor authentic itemized monthly reports of all production from said lease acreage, such reports to be mailed not later than the fifteenth day of the month following that for which the report is made.
- (d) That if and when, and at such time as, Assignee shall have received the aggregate gross sum of Fifty Thousand Dollars (\$50,000.00) from the sale of Assignee's interest in the gas produced and saved from the land above described, and the land with which the land above described has been pooled, unitized or consolidated, Assignor shall have the right and option, for a period of thirty (30) days following the receipt of written notice from Assignee that said aggregate gross sum of Fifty Thousand Dollars (\$50,000.00) has been received by Assignee, of exchanging its overriding royalty interest in the oil and gas leases above described, as expressly reserved in paragraph 2 hereof, free of all cost, expense or other consideration, for an undivided one-half ( $\frac{1}{2}$ ) interest in the working interest under such leases and an undivided one-half ( $\frac{1}{2}$ ) interest in the tangible equipment, including, but not by way of limitation, casing, tubing and lines used in the operation of any well or wells located upon the land above described and land with which the land above described has been pooled, unitized or consolidated; provided, that, if said leases above described and the gas lease delivered Assignee by Assignor contemporaneously herewith, which said gas lease covers the unleased interest of Assignor in the gas rights in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the W/2 and the SE/4 of Section 8-23S-37W, Kearny County, Kansas, do not cover the full and undivided interest in the gas mineral rights in and to all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under all of Section 8-23S-37W, Kearny County, Kansas, [fol. 514] said aggregate gross sum of Fifty Thousand Dollars (\$50,000.00) to be received by Assignee

before said right and option vests in Assignor, as hereinabove provided, shall be proportionately reduced so as to be equal to that proportion of Fifty Thousand Dollars (\$50,000.00) which the interest in and to said gas mineral rights in all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under Section 8-23S-37W, Kearny County, Kansas, covered by the leases above described and the gas lease delivered Assignee by Assignor contemporaneously herewith bears to the full and undivided gas mineral estate therein. In this connection, it is agreed and understood that Assignee shall bear and pay all production taxes of every kind and character now or hereafter levied or assessed against, or otherwise chargeable to, the gas produced from said lease acreage (save and except such production taxes as may be levied or assessed against, or otherwise chargeable to, the gas attributable to Assignor's overriding royalty interest herein reserved), and that Assignee shall not be entitled to any set-off or credit by reason of the payment of such taxes against said sum of Fifty Thousand Dollars (\$50,000.00), or said sum of Fifty Thousand Dollars (\$50,000.00) as proportionately reduced.

4. Assignor further does hereby except and reserve unto itself, its successors and assigns, all liquid and liquefiable hydrocarbons contained in the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, or which may be attributable thereto from any unit which may include all horizons or strata under said land and which said liquid and liquefiable hydrocarbons may be processed or extracted from the gas produced from said horizons or strata through facilities designated in writing from Assignor to Assignee, provided, that until such time as Assignor may notify Assignee in writing of its desire that said gas be processed and the liquid and liquefiable hydrocarbons contained therein be extracted from said gas, this reservation of liquid and liquefiable hydrocarbons shall in no manner interfere with, pre-

vent or prohibit the marketing of gas produced and saved from said land by Assignee. With respect to the liquid and liquefiable hydrocarbons processed and extracted from the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, or which may be attributable thereto from any unit including said horizons or strata under said land, Assignor agrees to reimburse Assignee for all royalty paid by Assignee on said liquid and liquefiable hydrocarbons.

5. This assignment shall in all respects be subject to the [fol. 515] terms, covenants and conditions of the following prior contracts affecting said lease acreage, to wit:

- (a) Gas Processing Agreement, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Stanolind", and Cities Service Gas Company, therein referred to as "Cities".
- (b) Gas Purchase Contract, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Seller", and Cities Service Gas Company, therein referred to as "Buyer".

6. As to any wells drilled on said lease acreage by the Assignee after the delivery of this assignment, the Assignee shall give the Assignor access to said wells and the derrick floor at all reasonable times and, upon request of the Assignor, shall furnish to the Assignor well samples of all cores and cuttings consecutively taken, unless the Assignor elects to take such samples itself; and, at the request of the Assignor, the Assignee shall furnish to the Assignor copies of any electrical well formation surveys made.

7. In the event that the Assignee receives a bona fide offer which it is willing to accept for the purchase of said lease acreage, or any part thereof or interest therein, from a person, firm or corporation ready, able and willing to purchase such lease acreage, part thereof or interest therein, the Assignee immediately shall give written notice thereof to the Assignor, including in said notice the name and ad-

dress of such offeror, the price offered and all other terms and conditions of the offer. The Assignor, for a period of ten (10) days after the receipt of said notice, shall have the prior and preferred right and option to purchase from the Assignee the lease acreage, or the part thereof or interest therein, covered by said offer at the price and according to the terms and conditions specified in said offer; provided, that, if the Assignor fails to exercise its said right and option by giving written notice of its acceptance within ten (10) days after receipt of the above mentioned notice, the Assignee shall accept said offer and complete said sale in accordance with said offer within sixty (60) days after the expiration of said period of ten (10) days; and provided, further, that if the Assignee fails to accept said offer and complete said sale within said period of sixty (60) days, the preferred right and option of the Assignor under this paragraph shall be considered as revived, and the Assignee [fol. 516] shall not complete said sale to said prospective purchaser unless and until said offer again has been presented to the Assignor, as hereinabove provided, and the Assignor again has failed to elect to purchase on the terms and conditions of said offer. All offers at any time made to the Assignee, its successors or assigns, for the purchase of said lease acreage, or any part thereof or interest therein, shall be subject to all the terms and conditions of this paragraph 7.

8. In the event that the Assignee should elect to surrender, let expire, abandon or release all or any of its rights in said lease acreage, or any part thereof, the Assignee shall notify the Assignor not less than sixty (60) days in advance of such surrender, expiration, abandonment or release, and, if requested so to do by the Assignor, the Assignee immediately shall reassign such rights in said lease acreage, or such part thereof, to the Assignor. If production from the leases covered hereby ceases at any time during the primary term thereof, the Assignee promptly shall notify the Assignor thereof in writing.

9. This assignment is made subject to all the terms and the express and implied covenants and conditions of the

above described leases, insofar as such leases cover the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, which terms, covenants and conditions the Assignee hereby assumes and agrees to perform with respect to said rights lying in and under said land; provided, that, unless the Assignee should elect to surrender, let expire, abandon or release its rights in said lease acreage and should comply with the provisions hereof relative thereto, Assignor shall make a bona fide effort to pay such delay rentals as may hereafter become due and payable under the terms of the oil and gas leases above described, insofar as said leases cover the land above described, and Assignee shall reimburse Assignor to the extent of one-half ( $\frac{1}{2}$ ) of all of such rentals so paid within fifteen (15) days following the receipt of Assignor's billing therefor. Said terms, covenants and conditions, insofar as the said lease acreage is concerned, shall be binding on the Assignee not only in favor of the lessors and their heirs and assigns, but also in favor of the Assignor and its successors and assigns.

[fol. 517] 10. This assignment is made without warranty of any kind.

11. All notices, reports and other communications required or permitted hereunder, or desired to be given with respect to the rights or interests herein assigned or reserved, shall be deemed to have been properly given or delivered when delivered personally or sent by registered mail or telegraph, with all postage or charges fully prepaid, and addressed to the Assignor and Assignee, respectively as follows:

*Assignor:*

Stanolind Oil and Gas Company  
First National Building  
P. O. Box 1654  
Oklahoma City, Oklahoma



**Assignee:**

**Graham-Michaelis Drilling Company  
1005 East Second Street  
Wichita, Kansas**

12. The terms, covenants and conditions hereof shall be binding upon, and shall inure to the benefit of, the Assignor and the Assignee and their respective successors or assigns; and such terms, covenants and conditions shall be covenants running with the land above described and the lease acreage herein assigned, and with each transfer or assignment of said land or lease acreage.

To HAVE AND TO HOLD said lease acreage unto the Assignee, its successors and assigns, subject to the terms, covenants and conditions hereinabove set forth.

EXECUTED this 30th day of October, 1956.

**STANOLIND OIL AND GAS COMPANY**

By /s/ V. G. HILL

**Its Attorney-in-Fact**

**Approved—HOL, JEH, TW**

STATE OF OKLAHOMA     )  
                                  ) SS.  
COUNTY OF OKLAHOMA    )

BEFORE ME, the undersigned, a Notary Public within and for said County and State, on this 30th day of October, 1956, personally appeared V. G. HILL, to me known to be the identical person who executed the within and foregoing instrument as Attorney in Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

**/s/ JOAN MILLER**  
**Notary Public**

**My Commission Expires July 16, 1957**

**FPC Rate**  
**Schedule No. 84**  
**Supplement No. 82**  
**Filing Date: 9-26-57**  
**Effective Date: 11-9-56**

STATE OF KANSAS )  
 ) SS.  
COUNTY OF HASKELL )

KNOW ALL MEN BY THESE PRESENTS:

THAT, in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations, the receipt and the sufficiency of which are hereby acknowledged, STANOLIND OIL AND GAS COMPANY, a corporation (hereinafter referred to as "Assignor"), hereby does bargain, sell, assign, transfer and convey unto GRAHAM-MICHAELIS DRILLING COMPANY, a co-partnership, composed of W. A. Michaelis, Jr., William L. Graham and Marjorie Lois Graham, its successors and assigns, (hereinafter referred to as "Assignee"), all its right, title and interest in and to the following described oil and gas lease, covering land situated in Haskell County, State of Kansas, to-wit:



*Lease No. 76846:*

Lessor: Lulu Wheatley et al  
Lessee: Fred C. Koch  
Date: June 5, 1943  
Recorded: Book 4, at page 62

in so far as said lease covers the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the following described land in said County and State, to-wit:

All of Section Thirty-three (33), Township Twenty-eight South (T28S), Range Thirty-two West (R32W),

expressly excepting and reserving unto the Assignor, its successors and assigns, all right, title and interest in and to said oil and gas lease in so far as said lease covers the oil rights in all horizons or strata lying in and under said land and the gas rights in all horizons or strata lying in and under said land below the base of the Hugoton Pay Zone (said lease and land above described, to the extent that said lease covers the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under said land, hereinafter sometimes being referred to as the "lease acreage"), subject to the following terms, covenants and conditions:

1. The lease acreage covered hereby is assigned by the Assignor and accepted by the Assignee subject to the overriding royalties, production payments, net profits obligations, carried working interests and other payments out of or with respect to production which are of record and with which said lease acreage is encumbered; and the Assignee hereby assumes and agrees to pay, perform or carry, as the case may be, each of said overriding royalties, production payments, net profits obligations, car-

ried working interests and other payments out of or with respect to production, to the extent that it is or remains a burden on the lease acreage herein assigned.

2. In addition to any and all other overriding royalties, production payments and other encumbrances to which said lease acreage may be subject, the Assignor hereby excepts and reserves unto itself, its successors and assigns, an overriding royalty of one-sixteenth of seven-eighths ( $1/16$  of  $7/8$ ) of all the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, the market value (at the well) of which shall be paid to the Assignor free of all cost and expense, except taxes on production, provided, that, in the event the lease above described does not cover all the gas mineral rights in and to all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under any part of the land above described, then, said overriding royalty, as to the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under said part of said land, or attributable thereto, shall be proportionately reduced so as to be equal to that proportion of one-sixteenth of seven-eighths ( $1/16$  of  $7/8$ ) of said gas which the interest in and to said gas mineral rights in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under said part of said land covered by said lease bears to the full and undivided gas mineral estate in said horizons under said land.

3. With respect to the overriding royalty herein excepted and reserved by the Assignor, the Assignor and the Assignee agree as follows:

- (a) That said overriding royalty shall extend to any extension or renewal of the lease above described.
- (b) That gas used in drilling and operations on said lease acreage and in the handling of production therefrom shall be deducted before said overriding royalty is computed.

[fol. 520] (c) That the Assignee shall furnish to the Assignor authentic itemized monthly reports of all production from said lease acreage, such reports to be mailed not later than the fifteenth day of the month following that for which the report is made.

(d) That if and when, and at such time as, Assignee shall have received the aggregate gross sum of Thirty Thousand Dollars (\$30,000.00) from the sale of Assignee's interest in the gas produced and saved from the land above described, Assignor shall have the right and option, for a period of thirty (30) days following the receipt of written notice from Assignee that said aggregate gross sum of Thirty Thousand Dollars (\$30,000.00) has been received by Assignee, of exchanging its overriding royalty interest in the oil and gas lease hereinabove described, as expressly reserved in paragraph 2 hereof, free of all cost, expense and other consideration, for an undivided one-fourth ( $1/4$ ) interest in the working interest under such lease and an undivided one-fourth ( $1/4$ ) interest in the tangible equipment, including, but not by way of limitation, casing, tubing and lines used in the operation of any well or wells located upon the land above described, provided, that, if said lease above described does not cover the full and undivided interest in the gas mineral rights in and to all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, said aggregate gross sum of Thirty Thousand Dollars (\$30,000.00) to be received by Assignee before said right and option vests in Assignor, as hereinabove provided, shall be proportionately reduced so as to be equal to that proportion of Thirty Thousand Dollars (\$30,000.00) which the interest in and to said gas mineral rights in all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land above described covered by the lease above described bears to the full and undivided gas mineral estate therein. In this connec-

tion, it is agreed and understood that Assignee shall bear and pay all production taxes of every kind and character now or hereafter levied or assessed against, or otherwise chargeable to, the gas produced and saved from the land above described (save and except such production taxes as may be levied or assessed against, or otherwise chargeable to, the gas attributable to Assignor's overriding royalty interest hereby reserved) and that Assignee shall not be entitled to any set-off or credit by reason of the payment of such taxes against said sum of Thirty Thousand Dollars (\$30,000.00), or said sum of Thirty Thousand Dollars (\$30,000.00) as proportionately reduced.

4. Assignor further does hereby except and reserve unto itself, its successors and assigns, all of the liquid and liquefiable hydrocarbons contained in the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, which said liquid and liquefiable hydrocarbons may be processed and extracted from the gas produced and saved from said horizons through facilities designated in writing from Assignor to Assignee, provided, that, until such time as Assignor may notify Assignee in writing of its desire that said gas be processed [fol. 521] and the liquid and liquefiable hydrocarbons contained therein be extracted from said gas, this reservation of liquid and liquefiable hydrocarbons shall in no manner interfere with, prevent or prohibit the marketing of gas produced and saved from said land by Assignee. With respect to liquid and liquefiable hydrocarbons processed and extracted from the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, Assignor agrees to reimburse Assignee for all royalty paid by Assignee on said liquid and liquefiable hydrocarbons.

5. This assignment shall in all respects be subject to the terms, covenants and conditions of the following prior contracts affecting said lease acreage, to-wit:

- (a) Gas Processing Agreement, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Stanolind", and Cities Services Gas Company, therein referred to as "Cities."
- (b) Gas Purchase Contract, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Seller", and Cities Service Gas Company, therein referred to as "Buyer."

6. As to any wells drilled on said lease acreage by the Assignee after the delivery of this assignment, the Assignee shall give the Assignor access to said wells and the derrick floor at all reasonable times and, upon request of the Assignor, shall furnish to the Assignor well samples of all cores and cuttings consecutively taken, unless the Assignor elects to take such samples itself; and, at the request of the Assignor, the Assignee shall furnish to the Assignor copies of any electrical well formation surveys made.

7. In the event that the Assignee receives a bona fide offer which it is willing to accept for the purchase of said lease acreage, or any part thereof or interest therein, from a person, firm or corporation ready, able and willing to purchase such lease acreage, part thereof or interest therein, the Assignee immediately shall give written notice thereof to the Assignor, including in said notice the name and address of such offeror, the price offered and all other terms and conditions of the offer. The Assignor, for a period of ten (10) days after the receipt of said notice, shall have the prior and preferred right and option to purchase from the Assignee the lease acreage, or the part thereof or interest therein, covered by said offer at the price and according to the terms and conditions specified in said offer; provided, that, if the Assignor fails to exercise its said right and option by giving written notice of its acceptance within ten (10) days after receipt of the above mentioned notice, the Assignee shall accept said offer and complete said sale in accordance with said offer within sixty (60) days after the expiration of said

period of ten (10) days; and, provided, further, that if the Assignee fails to accept said offer and complete said sale within said period of sixty (60) days, the preferred right and option of the Assignor under this paragraph shall be considered as revived, and the Assignee shall not complete said sale to said prospective purchaser unless and until said offer again has been presented to the Assignor, as hereinabove provided, and the Assignor again has failed to elect to purchase on the terms and conditions of said offer. All offers at any time made to the Assignee, its successors or assigns, for the purchase of said lease acreage, or any part thereof or interest therein, shall be subject to all the terms and conditions of this paragraph 7.

8. In the event that the Assignee should elect to surrender, let expire, abandon or release all or any of its rights in said lease acreage, or any part thereof, the Assignee shall notify the Assignor not less than sixty (60) days in advance of such surrender, expiration, abandonment or release, and, if requested so to do by the Assignor, the Assignee immediately shall reassign such rights in said lease acreage, or such part thereof, to the Assignor. If production from the lease covered hereby ceases at any time during the primary term thereof, the Assignee promptly shall notify the Assignor thereof in writing.

9. This assignment is made subject to all the terms and the express and implied covenants and conditions of the above described lease, in so far as such lease covers the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, which terms, covenants and conditions the Assignee hereby assumes and agrees to perform with respect to said rights lying in and under said land; provided, that, unless the Assignee should elect to surrender, let expire, abandon or release its rights in said lease acreage and should comply with the provisions hereof relative thereto, Assignor shall make a bona fide effort to pay such delay rentals as



may hereafter become due and payable under the terms of the oil and gas lease above described, in so far as said [fol. 523] lease covers the land above described, and Assignee shall reimburse Assignor to the extent of one-half (1/2) of all of such rentals so paid within fifteen (15) days following the receipt of Assignor's billing therefor. Said terms, covenants and conditions, in so far as the said lease acreage is concerned, shall be binding on the Assignee, not only in favor of the lessor and her heirs and assigns, but also in favor of the Assignor and its successors and assigns.

10. This assignment is made without warranty of any kind.

11. All notices, reports and other communications required or permitted hereunder, or desired to be given with respect to the rights or interests herein assigned or reserved, shall be deemed to have been properly given or delivered when delivered personally or sent by registered mail or telegraph, with all postage or charges fully prepaid, and addressed to the Assignor and Assignee, respectively, as follows:

*Assignor:*

Stanolind Oil and Gas Company  
First National Building  
P. O. Box 1654  
Oklahoma City, Oklahoma

*Assignee:*

Graham-Michaelis Drilling Company  
1005 East Second Street  
Wichita, Kansas

12. The terms, covenants and conditions hereof shall be binding upon, and shall inure to the benefit of, the Assignor and the Assignee and their respective successors or assigns; and such terms, covenants and conditions shall be

covenants running with the land above described and the lease acreage herein assigned, and with each transfer or assignment of said land or lease acreage.

TO HAVE AND TO HOLD said lease acreage unto the Assignee, its successors and assigns, subject to the terms, covenants and conditions hereinabove set forth.

EXECUTED this 9th day of November, 1956.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL  
Its Attorney in Fact

Approved—HOL, JEH, TW

[fol. 524]

STATE OF OKLAHOMA )  
 ) SS.  
COUNTY OF OKLAHOMA )

BEFORE ME, the undersigned, a Notary Public within and for said County and State, on this 9th day of November, 1956, personally appeared V. G. HILL, to me known to be the identical person who executed the within and foregoing instrument as Attorney in Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

/s/ JOAN MILLER  
Notary Public

My commission expires:

JOAN MILLER, NOTARY PUBLIC

STATE OF OKLAHOMA

My Commission Expires July 16, 1957



[fol. 525]

FPC Gas Rate

Schedule No. 84

Supplement No. 83

Filing Date: 9-27-57

Effective Date: 11-9-56

STATE OF KANSAS )

) SS.

COUNTY OF HASKELL )

## ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

THAT, in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations, the receipt and the sufficiency of which are hereby acknowledged, STANOLIND OIL AND GAS COMPANY, a corporation (hereinafter referred to as "Assignor"), hereby does bargain, sell, assign, transfer and convey unto GRAHAM-MICHAELIS DRILLING COMPANY, a co-partnership, composed of W. A. Michaelis, Jr., William L. Graham and Marjorie Lois Graham, its successors and assigns (hereinafter referred to as "Assignee"), all its right, title and interest in and to the following described oil and gas leases, covering land situated in Haskell County, State of Kansas, to-wit:

*Lease No. 61066:*

Lessor: C. G. Dennis et ux  
Lessee: Joe E. Denham  
Date: September 1, 1944  
Recorded: Book 5, at page 151

*Lease No. 85748:*

Lessor: Maude Fankhouser et vir  
Lessee: L. T. Buck  
Date: April 20, 1948  
Recorded: Book 9, at page 3

*Lease No. 85749:*

Lessor: Dale Fankhouser et al

Lessee: L. T. Buck

Date: April 10, 1948

Recorded: Book 9, at page 2

in so far as said leases cover the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the following described land in said County and State, to-wit:

All of Section Three (3), Township Twenty-nine South (T29S), Range Thirty-two West (R32W),

expressly excepting and reserving unto the Assignor, its successors and assigns, all right, title and interest in and to said oil and gas leases in so far as said leases cover the oil rights in all horizons or strata lying in and under said land and the gas rights in all horizons or strata lying in and under said land below the base of the Hugoton Pay Zone (said leases and land above described, to the extent [fol. 526] that said leases cover the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under said land, hereinafter sometimes being referred to as the "lease acreage"), subject to the following terms, covenants and conditions:

1. The lease acreage covered hereby is assigned by the Assignor and accepted by the Assignee subject to the overriding royalties, production payments, net profits obligations, carried working interests and other payments out of or with respect to production which are of record and with which said lease acreage is encumbered; and the Assignee hereby assumes and agrees to pay, perform or carry, as the case may be, each of said overriding royalties, production payments, net profits obligations, carried working interests and other payments out of or with respect to production, to the extent that it is or remains a burden on the lease acreage herein assigned.

2. In addition to any and all other overriding royalties, production payments and other encumbrances to which said lease acreage may be subject, the Assignor hereby excepts and reserves unto itself, its successors and assigns, an overriding royalty of one-sixteenth of seven-eighths ( $1/16$  of  $7/8$ ) of all the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, the market value (at the well) of which shall be paid to the Assignor free of all cost and expense, except taxes on production, provided, that, in the event the leases above described do not cover all the gas mineral rights in and to all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under any part of the land above described, then, said overriding royalty, as to the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under said part of said land, or attributable thereto, shall be proportionately reduced so as to be equal to that proportion of one-sixteenth of seven-eighths ( $1/16$  of  $7/8$ ) of said gas which the interest in and to said gas mineral rights in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under said part of said land covered by said leases bears to the full and undivided gas mineral estate in said horizons under said land.

[fol. 527] 3. With respect to the overriding royalty herein excepted and reserved by the Assignor, the Assignor and the Assignee agree as follows:

- (a) That said overriding royalty shall extend to any extensions or renewals of the leases above described.
- (b) That gas used in drilling and operations on said lease acreage and in the handling of production therefrom shall be deducted before said overriding royalty is computed.
- (c) That the Assignee shall furnish to the Assignor authentic itemized monthly reports of all production from said lease acreage, such reports to be mailed not later than the fifteenth day of the month following that for which the report is made.

- (d) That if and when, and at such time as, Assignee shall have received the aggregate gross sum of Thirty Thousand Dollars (\$25,000.00) from the sale of Assignee's interest in the gas produced and saved from the land above described, Assignor shall have the right and option, for a period of thirty (30) days following the receipt of written notice from Assignee that said aggregate gross sum of Thirty Thousand Dollars (\$30,000.00) has been received by Assignee, of exchanging its overriding royalty interest in the oil and gas leases hereinabove described, as expressly reserved in paragraph 2 hereof, free of all cost, expense and other consideration, for an undivided one-fourth ( $\frac{1}{4}$ ) interest in the working interest under such leases and an undivided one-fourth ( $\frac{1}{4}$ ) interest in the tangible equipment, including, but not by way of limitation, casing, tubing and lines used in the operation of any well or wells located upon the land above described, provided, that, if said leases above described do not cover the full and undivided interest in the gas mineral rights in and to all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, said aggregate gross sum of Thirty Thousand Dollars (\$30,000.00) to be received by Assignee before said right and option vests in Assignor, as hereinabove provided, shall be proportionately reduced so as to be equal to that proportion of Thirty Thousand Dollars (\$30,000.00) which the interest in and to said gas mineral rights in all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land above described covered by the leases above described bears to the full and undivided gas mineral estate therein. In this connection, it is agreed and understood that Assignee shall bear and pay all production taxes of every kind and character now or hereafter levied or assessed against, or otherwise chargeable to, the gas produced and saved from the land above described (save and except such production taxes as may be levied or assessed against, or otherwise chargeable to, the gas attributable to Assignor's overriding royalty inter-

est hereby reserved) and that Assignee shall not be entitled to any set-off or credit by reason of the payment of such taxes against said sum of Thirty Thousand Dollars (\$30,000.00), or said sum of Thirty Thousand Dollars (\$30,000.00) as proportionately reduced.

[fol. 528] 4. Assignor further does hereby \*except and reserve unto itself, its successors and assigns, all of the liquid and liquefiable hydrocarbons contained in the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, which said liquid and liquefiable hydrocarbons may be processed or extracted from the gas produced and saved from said horizons through facilities designated in writing from Assignor to Assignee, provided, that, until such time as Assignor may notify Assignee in writing of its desire that said gas be processed and the liquid and liquefiable hydrocarbons contained therein be extracted from said gas, this reservation of liquid and liquefiable hydrocarbons shall in no manner interfere with, prevent or prohibit the marketing of gas produced and saved from said land by Assignee. With respect to liquid and liquefiable hydrocarbons processed and extracted from the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, Assignor agrees to reimburse Assignee for all royalty paid by Assignee on said liquid and liquefiable hydrocarbons.

5. This assignment shall in all respects be subject to the terms, covenants and conditions of the following prior contracts affecting said lease acreage, to-wit:

- (a) Gas Processing Agreement, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Stanolind", and Cities Service Gas Company, therein referred to as "Cities."
- (b) Gas Purchase Contract, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Seller", and Cities Service Gas Company, therein referred to as "Buyer."

6. As to any wells drilled on said lease acreage by the Assignee after the delivery of this assignment, the Assignee shall give the Assignor access to said wells and the derrick floor at all reasonable times and, upon request of the Assignor, shall furnish to the Assignor well samples of all cores and cuttings consecutively taken, unless the Assignor elects to take such samples itself; and, at the request of the Assignor, the Assignee shall furnish to the Assignor copies of any electrical well formation surveys made.

7. In the event that the Assignee receives a bona fide offer which it is willing to accept for the purchase of said [fol. 529] lease acreage, or any part thereof or interest therein, from a person, firm or corporation ready, able and willing to purchase such lease acreage, part thereof or interest therein, the Assignee immediately shall give written notice thereof to the Assignor, including in said notice the name and address of such offeror, the price offered and all other terms and conditions of the offer. The Assignor, for a period of ten (10) days after the receipt of said notice, shall have the prior and preferred right and option to purchase from the Assignee the lease acreage, or the part thereof or interest therein, covered by said offer at the price and according to the terms and conditions specified in said offer; provided, that, if the Assignor fails to exercise its said right and option by giving written notice of its acceptance within ten (10) days after receipt of the above mentioned notice, the Assignee shall accept said offer and complete said sale in accordance with said offer within sixty (60) days after the expiration of said period of ten (10) days; and, provided, further, that if the Assignee fails to accept said offer and complete said sale within said period of sixty (60) days, the preferred right and option of the Assignor under this paragraph shall be considered as revived, and the Assignee shall not complete said sale to said prospective purchaser unless and until said offer again has been presented to the Assignor, as hereinabove provided, and the Assignor again has failed to elect to purchase on the terms and conditions of said offer. All offers at any time made to the Assignee, its successors or assigns,



for the purchase of said lease acreage, or any part thereof or interest therein, shall be subject to all the terms and conditions of this paragraph 7.

8. In the event that the Assignee should elect to surrender, let expire, abandon or release all or any of its rights in said lease acreage, or any part thereof, the Assignee shall notify the Assignor not less than sixty (60) days in advance of such surrender, expiration, abandonment or release, and, if requested so to do by the Assignor, the Assignee immediately shall reassign such rights in said lease acreage, or such part thereof, to the Assignor. If production from any lease covered hereby ceases at any time during the primary term thereof, the Assignee promptly shall notify the Assignor thereof in writing.

9. This assignment is made subject to all the terms and the express and implied covenants and conditions of the [fol. 530] above described leases, in so far as such leases cover the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, which terms, covenants and conditions the Assignee hereby assumes and agrees to perform with respect to said rights lying in and under said lands; provided, that, unless the Assignee should elect to surrender, let expire, abandon or release its rights in said lease acreage and should comply with the provisions hereof relative thereto, Assignor shall make a bona fide effort to pay such delay rentals as may hereafter become due and payable under the terms of the oil and gas leases above described, in so far as said leases cover the land above described, and Assignee shall reimburse Assignor to the extent of one-half ( $\frac{1}{2}$ ) of all of such rentals so paid within fifteen (15) days following the receipt of Assignor's billing therefor. Said terms, covenants and conditions, in so far as the said lease acreage is concerned, shall be binding on the Assignee, not only in favor of the lessors and their heirs and assigns, but also in favor of the Assignor and its successors and assigns.

10. This assignment is made without warranty of any kind.

11. All notices, reports and other communications required or permitted hereunder, or desired to be given with respect to the rights or interests herein assigned or reserved, shall be deemed to have been properly given or delivered when delivered personally or sent by registered mail or telegraph, with all postage or charges fully prepaid, and addressed to the Assignor and Assignee, respectively, as follows:

*Assignor:*

Stanolind Oil and Gas Company  
First National Building  
P. O. Box 1654  
Oklahoma City, Oklahoma

*Assignee:*

Graham-Michaelis Drilling Company  
1005 East Second Street  
Wichita, Kansas

12. The terms, covenants and conditions hereof shall be binding upon, and shall inure to the benefit of, the Assignor and the Assignee and their respective successors or assigns; and such terms, covenants and conditions shall be covenants [fol. 531] running with the land above described and the lease acreage herein assigned, and with each transfer or assignment of said land or lease acreage.

TO HAVE AND TO HOLD said lease acreage unto the Assignee, its successors and assigns, subject to the terms, covenants and conditions hereinabove set forth.

EXECUTED this 9th day of November, 1956.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL  
Its Attorney in Fact

Approved—JEH, TW



STATE OF OKLAHOMA )  
 ) SS.  
COUNTY OF OKLAHOMA )

BEFORE ME, the undersigned, a Notary Public within and for said County and State, on this 9th day of November, 1956, personally appeared V. G. Hill, to me known to be the identical person who executed the within and foregoing instrument as Attorney in Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

/s/ JOAN MILLER  
Notary Public

My commission expires :  
JOAN MILLER, NOTARY PUBLIC  
STATE OF OKLAHOMA

My Commission Expires July 16, 1957

[fol. 532]

FPC Gas Rate

Schedule No. 84

Supplement No. 84

Filing Date: 9-26-57

Effective Date: 1-2-57

STATE OF KANSAS           )  
                                  ) SS.  
COUNTY OF KEARNY       )

### ASSIGNMENT

KNOW ALL MEN BY THESE PRESENTS:

THAT, in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations, the receipt and the sufficiency of which are hereby acknowledged, STANOLIND OIL AND GAS COMPANY, a corporation (hereinafter referred to as "Assignor"), hereby does bargain, sell, assign, transfer and convey unto GRAHAM-MICHAELIS DRILLING COMPANY, a co-partnership, composed of W. A. Michaelis, Jr., William L. Graham and Marjorie Lois Graham, its successors and assigns (hereinafter referred to as "Assignee"), all of its right, title and interest in and to the following described oil and gas lease, covering land situated in Kearny County, State of Kansas, to wit:

Lessor: William Weber, et ux.

Lessee: Joe B. Denham

Date: May 15, 1947

Recorded: Book 15, at page 406

insofar as said lease covers the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the following described land in said County and State, to wit:

All of Section Five (5), Township Twenty-Three South (T23S), Range Thirty-Seven West (R37W),

expressly excepting and reserving unto the Assignor, its successors and assigns, all right, title and interest in and

to said oil and gas lease insofar as said lease covers the oil rights in all horizons or strata lying in and under said land and the gas rights in all horizons or strata lying in and under said land below the base of the Hugoton Pay Zone (said lease and land above described, to the extent that said lease covers the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under said land, hereinafter sometimes being referred to as the "lease acreage"), subject to the following terms, covenants and conditions:

[fol. 533] 1. The lease acreage covered hereby is assigned by the Assignor and accepted by the Assignee subject to the overriding royalties, production payments, net profits obligations, carried working interests and other payments out of or with respect to production which are of record and with which said lease acreage is encumbered; and the Assignee hereby assumes and agrees to pay, perform or carry, as the case may be, each of said overriding royalties, production payments, net profits obligations, carried working interests and other payments out of or with respect to production, to the extent that it is or remains a burden on the lease acreage herein assigned.

2. In addition to any and all other overriding royalties, production payments and other encumbrances to which said lease acreage may be subject, the Assignor hereby excepts and reserves unto itself, its successors and assigns, an overriding royalty of one-eighth of seven-eighths ( $\frac{1}{8}$  of  $\frac{7}{8}$ ) of all the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, the market value (at the well) of which shall be paid to the Assignor free of all cost and expense, except taxes on production, provided, that, in the event the lease above described does not cover all the gas mineral rights in and to all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under any part of the land above described, then, said overriding royalty, as to the gas produced and saved from all horizons or strata from the surface to, but not below,

the base of the Hugoton Pay Zone lying in and under said part of said land, or attributable thereto, shall be proportionately reduced so as to be equal to that proportion of one-eighth of seven-eighths ( $\frac{1}{8}$  of  $\frac{7}{8}$ ) of said gas which the interest in and to said gas mineral rights in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under said part of said land covered by said lease bears to the full and undivided gas mineral estate in said horizons under said land.

3. With respect to the overriding royalty herein excepted and reserved by the Assignor, the Assignor and the Assignee agree as follows:

- (a) That said overriding royalty shall extend to any extension or renewal of the lease above described.

[fol. 534] (b) That gas used in drilling and operations on said lease acreage and in the handling of production therefrom shall be deducted before said overriding royalty is computed.

- (c) That the Assignee shall furnish to the Assignor authentic itemized monthly reports of all production from said lease acreage, such reports to be mailed not later than the fifteenth day of the month following that for which the report is made.

- (d). That if and when, and at such time as, Assignee shall have received the aggregate gross sum of Fifty Thousand Dollars (\$50,000.00) from the sale of Assignee's interest in the gas produced and saved from the land above described, Assignor shall have the right and option, for a period of thirty (30) days following the receipt of written notice from Assignee that said aggregate gross sum of Fifty Thousand Dollars (\$50,000.00) has been received by Assignee, of exchanging its overriding royalty interest in the oil and gas lease hereinabove described, as expressly reserved in paragraph 2 hereof, free of all cost, expense or other consideration, for an undivided one-half ( $\frac{1}{2}$ ) interest in the working interest under such lease and an undivided one-half ( $\frac{1}{2}$ ) interest

in the tangible equipment, including, but not by way of limitation, casing, tubing and lines used in the operation of any well or wells located upon the lease acreage; provided, that, if said lease above described and the gas lease delivered Assignee by Assignor contemporaneously herewith, which said gas lease covers the unleased interest of Assignor in the gas rights in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the W/2 of Section 5-23S-37W, Kearny County, Kansas, do not cover the full and undivided interest in the gas mineral rights in and to all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, said aggregate gross sum of Fifty Thousand Dollars (\$50,000.00) to be received by Assignee before said right and option vests in Assignor, as hereinabove provided, shall be proportionately reduced so as to be equal to that proportion of Fifty Thousand Dollars (\$50,000.00) which the interest in and to said gas mineral rights in all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land above described covered by the lease above described and the gas lease delivered Assignee by Assignor contemporaneously herewith bears to the full and undivided gas mineral estate therein. In this connection, it is agreed and understood that Assignee shall bear and pay all production taxes of every kind and character now or hereafter levied or assessed against, or otherwise chargeable to, the gas produced from said lease acreage (save and except such production taxes as may be levied or assessed against, or otherwise chargeable to, the gas attributable to Assignor's overriding royalty interest herein reserved), and that Assignee shall not be entitled to any set-off or credit by reason of the payment of such taxes against said sum of Fifty Thousand Dollars (\$50,000.00) or said sum of Fifty Thousand Dollars (\$50,000.00) as proportionately reduced.

4. Assignor further does hereby except and reserve unto itself, its successors and assigns, all the liquid and liquefiable hydrocarbons contained in the gas produced and [fol. 535] saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, which said liquid and liquefiable hydrocarbons may be processed or extracted from the gas produced from said horizons through facilities designated in writing from Assignor to Assignee, provided, that, until such time as Assignor may notify Assignee in writing of its desire that said gas be processed and the liquid and liquefiable hydrocarbons contained therein be extracted from said gas, this reservation of liquid and liquefiable hydrocarbons shall in no manner interfere with, prevent or prohibit the marketing of gas produced and saved from said land by Assignee. With respect to the liquid and liquefiable hydrocarbons processed and extracted from the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, Assignor agrees to reimburse Assignee for all royalty paid by Assignee on said liquid and liquefiable hydrocarbons.

5. This assignment shall in all respects be subject to the terms, covenants and conditions of the following prior contracts affecting said lease acreage, to-wit:

- (a) Gas Processing Agreement, dated June 23, 1950; by and between Stanolind Oil and Gas Company, therein referred to as "Stanolind", and Cities Service Gas Company, therein referred to as "Cities".
- (b) Gas Purchase Contract, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Seller", and Cities Service Gas Company, therein referred to as "Buyer".

6. As to any wells drilled on said lease acreage by the Assignee after the delivery of this assignment, the Assignee shall give the Assignor access to said wells and the derrick floor at all reasonable times and, upon request of



the Assignor, shall furnish to the Assignor well samples of all cores and cuttings consecutively taken, unless the Assignor elects to take such samples itself; and, at the request of the Assignor, the Assignee shall furnish to the Assignor copies of any electrical well formation surveys made.

7. In the event that the Assignee receives a bona fide offer which it is willing to accept for the purchase of said lease acreage, or any part thereof or interest therein, from [fol. 536] a person, firm or corporation ready, able and willing to purchase such lease acreage, part thereof or interest therein, the Assignee immediately shall give written notice thereof to the Assignor, including in said notice the name and address of such offeror, the price offered and all other terms and conditions of the offer. The Assignor, for a period of ten (10) days after the receipt of said notice, shall have the prior and preferred right and option to purchase from the Assignee the lease acreage, or the part thereof or interest therein, covered by said offer at the price and according to the terms and conditions specified in said offer; provided, that, if the Assignor fails to exercise its said right and option by giving written notice of its acceptance within ten (10) days after receipt of the above mentioned notice, the Assignee shall accept said offer and complete said sale in accordance with said offer within sixty (60) days after the expiration of said period of ten (10) days; and provided, further, that if the Assignee fails to accept said offer and complete said sale within said period of sixty (60) days, the preferred right and option of the Assignor under this paragraph shall be considered as revived, and the Assignee shall not complete said sale to said prospective purchaser unless and until said offer again has been presented to the Assignor, as hereinabove provided, and the Assignor again has failed to elect to purchase on the terms and conditions of said offer. All offers at any time made to the Assignee, its successors or assigns, for the purchase of said lease acreage, or any part thereof or interest therein, shall be subject to all the terms and conditions of this paragraph 7.



8. In the event that the Assignee should elect to surrender, let expire, abandon or release all or any of its rights in said lease acreage, or any part thereof, the Assignee shall notify the Assignor not less than sixty (60) days in advance of such surrender, expiration, abandonment or release, and, if requested so to do by the Assignor, the Assignee immediately shall reassign such rights in said lease acreage, or such part thereof, to the Assignor. If production from the lease covered hereby ceases at any time during the primary term thereof, the Assignee promptly shall notify the Assignor thereof in writing.

[fol. 537] 9. This assignment is made subject to all the terms and the express and implied covenants and conditions of the above described lease, insofar as such lease covers the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, which terms, covenants and conditions the Assignee hereby assumes and agrees to perform with respect to said rights lying in and under said land; provided, that, unless the Assignee should elect to surrender, let expire, abandon or release its rights in said lease acreage and should comply with the provisions hereof relative thereto, Assignor shall make a bona fide effort to pay such delay rentals as may hereafter become due and payable under the terms of the oil and gas lease above described, insofar as said lease covers the land above described, and Assignee shall reimburse Assignor to the extent of one-half ( $\frac{1}{2}$ ) of all of such rentals so paid within fifteen (15) days following the receipt of Assignor's billing therefor. Said terms, covenants and conditions, insofar as the said lease acreage is concerned, shall be binding on the Assignee not only in favor of the lessor and his heirs and assigns, but also in favor of the Assignor and its successors and assigns.

10. This assignment is made without warranty of any kind.

11. All notices, reports and other communications required or permitted hereunder, or desired to be given with

respect to the rights or interests herein assigned or reserved, shall be deemed to have been properly given or delivered when delivered personally or sent by registered mail or telegraph, with all postage or charges fully prepaid, and addressed to the Assignor and Assignee, respectively, as follows:

*Assignor:*

Stanolind Oil and Gas Company  
First National Building  
P. O. Box 1654  
Oklahoma City, Oklahoma

*Assignee:*

Graham-Michaelis Drilling Company  
1005 East Second Street  
Wichita, Kansas

12. The terms, covenants and conditions hereof shall be binding upon, and shall inure to the benefit of, the Assignor and the Assignee and their respective successors or assigns; [fol. 538] and such terms, covenants and conditions shall be covenants running with the land above described and the lease acreage herein assigned, and with each transfer or assignment of said land or lease acreage.

TO HAVE AND TO HOLD said lease acreage unto the Assignee, its successors and assigns, subject to the terms, covenants and conditions hereinabove set forth.

EXECUTED this 2nd day of January, 1957.

STANOLIND OIL AND GAS COMPANY

By. /s/ V. G. HILL  
Its Attorney in Fact

Approved—J.M. HOL

STATE OF OKLAHOMA )  
 ) SS.  
COUNTY OF OKLAHOMA )

BEFORE ME, the undersigned, a Notary Public within and for said County and State, on this 2nd day of January, 1957, personally appeared V. G. Hill, to me known to be the identical person who executed the within and foregoing instrument as Attorney in Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

/s/ CATHERINE L. WRIGHT  
Notary Public

My commission expires:

My Commission Expires Oct. 26, 1960

[fol. 539]

HOL/bi 6/26/56.

FPC Gas Rate

Schedule No. 84

Supplement No. 85

Filing Date: 9-26-57

Effective Date: 1-2-57

STATE OF KANSAS )

) ss.

COUNTY OF KEARNY )

## ASSIGNMENT

## KNOW ALL MEN BY THESE PRESENTS:

THAT, in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations, the receipt and the sufficiency of which are hereby acknowledged, STANOLIND OIL AND GAS COMPANY, a corporation (hereinafter referred to as "Assignor"), hereby does bargain, sell, assign, transfer and convey unto GRAHAM-MICHAELIS DRILLING COMPANY, a co-partnership, composed of W. A. Michaelis, Jr., William L. Graham and Marjorie Lois Graham, its successors and assigns (hereinafter referred to as "Assignee"), all its right, title and interest in and to the following described oil and gas leases, covering land situated in Kearny County, State of Kansas, to-wit:

*Lease No. 72113-A:*

Lessor: Jesse S. Bower et ux  
Lessee: Stanolind Oil and Gas Company  
Date: April 5, 1946  
Recorded: Book 14, at page 6

*Lease No. 72113-B:*

Lessor: A. A. Hilliard et ux  
Lessee: Stanolind Oil and Gas Company  
Date: April 12, 1946  
Recorded: Book 14, at page 11

*Lease No. 72100:*

Lessor: John D. G. Stucky et ux  
 Lessee: Stanolind Oil and Gas Company  
 Date: April 13, 1946  
 Recorded: Book 44, at page 5

insofar as said leases cover the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the following described land in said County and State, to-wit:

Lots One (1) and Two (2) and the South Half of the Northeast Quarter (S/2 NE 4) of Section Six (6), Township Twenty-three South (T23S), Range Thirty-seven West (R37W), and the South Half (S/2) of Section Thirty-six (36), Township Twenty-two South (T22S), Range Thirty-eight West (R38W),

expressly excepting and reserving unto the Assignor, its successors and assigns, all right, title and interest in and to said oil and gas leases insofar as said leases cover the [fol. 540] oil rights in all horizons or strata lying in and under said land and the gas rights in all horizons or strata lying in and under said land below the base of the Hugoton Pay Zone (said leases and land above described, to the extent that said leases cover the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under said land, hereinafter sometimes being referred to as the "lease acreage"), subject to the following terms, covenants and conditions, to-wit:

1. The lease acreage covered hereby is assigned by the Assignor and accepted by the Assignee subject to the overriding royalties, production payments, net profits obligations, carried working interests and other payments out of or with respect to production which are of record and with which said lease acreage is encumbered; and the Assignee hereby assumes and agrees to pay, perform or carry, as the case may be, each of said overriding royalties, production payments, net profits obligations, carried working interests and other payments out of or with respect to pro-

duction, to the extent that it is or remains a burden on the lease acreage herein assigned.

2. In addition to any and all other overriding royalties, production payments and other encumbrances to which said lease acreage may be subject, the Assignor hereby excepts and reserves unto itself, its successors and assigns, an overriding royalty of one-eighth of seven-eighths ( $\frac{1}{8}$  of  $\frac{7}{8}$ ) of all the gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land above described and in and under the land with which the land above described has been, or shall be, pooled, unitized or consolidated, the market value (at the well) of which shall be paid to the Assignor free of all cost and expense, except taxes on production, provided, that, in the event the leases above described cover less than all the gas mineral rights in and to all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land above described, said overriding royalty, insofar as it pertains to the gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under said land, shall be proportionately reduced so as to be equal to that proportion of one-eighth of seven-eighths ( $\frac{1}{8}$  of  $\frac{7}{8}$ ) of said gas which the interest in and to said gas mineral rights in all horizons or strata from the surface [Vol. 541] to the base of the Hugoton Pay Zone lying in and under said land covered by said leases bears to the full and undivided interest in said gas mineral estate in said horizons or strata under said land: and, provided, further, that in the event the land above described has been, or shall be, pooled, unitized or consolidated with other land so as to form a drilling unit of approximately six hundred forty (640) acres in size, then, said overriding royalty, insofar as it pertains to the gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land included in said unit, shall be proportionately reduced, or further proportionately reduced if the first proviso hereof shall be applicable thereto, so as to be equal to that proportion of one-eighth of seven-eighths ( $\frac{1}{8}$  of  $\frac{7}{8}$ ) of said gas production from

said unit which the acreage above described included in said unit bears to all the acreage in said unit.

3. With respect to the overriding royalty herein excepted and reserved by the Assignor, the Assignor and the Assignee agree as follows:

- (a) That said overriding royalty shall extend to any extensions or renewals of the leases above described.
- (b) That gas used in drilling and operations on said lease acreage and in the handling of production therefrom shall be deducted before said overriding royalty is computed.
- (c) That the Assignee shall furnish to the Assignor authentic itemized monthly reports of all production from said lease acreage, such reports to be mailed not later than the fifteenth day of the month following that for which the report is made.
- (d) That if and when, and at such time as, Assignee shall have received the aggregate gross sum of Fifty Thousand Dollars (\$50,000.00) from the sale of Assignee's interest in the gas produced and saved from the land above described and the land with which the land above described has been, or shall be, pooled, unitized or consolidated, Assignor shall have the right and option, for a period of thirty (30) days following the receipt of written notice from Assignee that said aggregate gross sum of Fifty Thousand Dollars (\$50,000.00) has been received by Assignee, of exchanging its overriding royalty interest in the oil and gas leases above described, as expressly reserved in paragraph 2 hereof, free of all cost, expense or other consideration, for an undivided one-half ( $\frac{1}{2}$ ) interest in the tangible equipment, including, but not by way of limitation, casing, tubing and lines used in the operation of any well or wells located upon the land above described and upon land with which the land above described has been, or shall be, pooled, unitized or consolidated, provided, that, if said leases above described and the gas



lease delivered Assignee by Assignor contemporaneously herewith, which said gas lease covers the unleased interest of Assignor in the gas rights in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under [fol. 542] Lots 1 and 2 and the S/2 NE/4 and the SE/4 of Section 6-23S-37W, Kearny County, Kansas, do not cover the full and undivided interest in the gas mineral rights in and to all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under all of the E/2 of Section 6-23S-37W and the S/2 of Section 36-22S-38W, Kearny County, Kansas, said aggregate gross sum of Fifty Thousand Dollars (\$50,000.00) to be received by Assignee before said right and option vests in Assignor, as hereinabove provided, shall be proportionately reduced so as to be equal to that proportion of Fifty Thousand Dollars (\$50,000.00) which the interest in and to said gas mineral rights in all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the E/2 of Section 6-23S-37W and the S/2 of Section 36-22S-38W, Kearny County, Kansas, covered by the leases above described and the gas lease delivered Assignee by Assignor contemporaneously herewith bears to the full and undivided gas mineral estate therein. In this connection, it is agreed and understood that Assignee shall bear and pay all production taxes of every kind and character now or hereafter levied or assessed against, or otherwise chargeable to, the gas produced from said lease acreage and from any unit which may include said lease acreage (save and except such production taxes as may be levied or assessed against, or otherwise chargeable to, the gas attributable to Assignor's overriding royalty interest herein reserved) and that Assignee shall not be entitled to any set-off or credit by reason of the payment of taxes against said sum of Fifty Thousand Dollars (\$50,000.00), or said sum of Fifty Thousand Dollars (\$50,000.00) as proportionately reduced.

4. Assignor further does hereby except and reserve unto itself, its successors and assigns, all liquid and liquefiable hydrocarbons contained in the gas produced and saved from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, or which may be attributable thereto from any unit which may include all of said horizons or strata lying in and under said land, and which said liquid and liquefiable hydrocarbons may be processed and extracted from the gas produced and saved from said horizons or strata through facilities designated in writing from Assignor to Assignee, provided, that, until such time as Assignor may notify Assignee in writing of its desire that said gas be processed and the liquid and liquefiable hydrocarbons contained therein be extracted from said gas, this reservation of liquid and liquefiable hydrocarbons shall in no manner interfere with, prevent or prohibit the marketing of gas produced and saved from said land by Assignee. With respect to the liquid and liquefiable hydrocarbons processed and extracted from the gas produced and saved [fol. 543] from all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, or which may be attributable thereto from any unit including said horizons or strata under said land, Assignor agrees to reimburse Assignee for all royalty paid by Assignee on said liquid and liquefiable hydrocarbons.

5. This assignment shall in all respects be subject to the terms, covenants and conditions of the following prior contracts affecting said lease acreage, to-wit:

- (a) Gas Processing Agreement, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Stanolind", and Cities Service Gas Company, therein referred to as "Cities."
- (b) Gas Purchase Contract, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Seller", and Cities Service Gas Company, therein referred to as "Buyer."

6. As to any wells drilled on said lease acreage by the Assignee after the delivery of this assignment, the Assignee shall give the Assignor access to said wells and the derrick floor at all reasonable times and, upon request of the Assignor, shall furnish to the Assignor well samples of all cores and cuttings consecutively taken, unless the Assignor elects to take such samples itself; and, at the request of the Assignor, the Assignee shall furnish to the Assignor copies of any electrical well formation surveys made.

7. In the event that the Assignee receives a bona fide offer which it is willing to accept for the purchase of said lease acreage, or any part thereof or interest therein, from a person, firm or corporation ready, able and willing to purchase such lease acreage, part thereof or interest therein, the Assignee immediately shall give written notice thereof to the Assignor, including in said notice the name and address of such offeror, the price offered and all other terms and conditions of the offer. The Assignor, for a period of ten (10) days after the receipt of said notice, shall have the prior and preferred right and option to purchase from the Assignee the lease acreage, or the part thereof or interest therein, covered by said offer at the price and according to the terms and conditions specified in said offer; provided, that, if the Assignor fails to exercise its said right and option by giving written notice of its acceptance within ten (10) days after receipt of the above mentioned notice, the Assignee shall accept said offer and complete said sale in accordance with said offer within sixty (60) [fol. 544] days after the expiration of said period of ten (10) days; and, provided, further, that if the Assignee fails to accept said offer and complete said sale within said period of sixty (60) days, the preferred right and option of the Assignor under this paragraph shall be considered as revived, and the Assignee shall not complete said sale to said prospective purchaser unless and until said offer again has been presented to the Assignor, as hereinabove provided, and the Assignor again has failed to elect to purchase on the terms and conditions of said offer. All offers at any time made to the Assignee, its successors or assigns, for the purchase of said lease acreage, or any part

thereof or interest therein, shall be subject to all the terms and conditions of this paragraph 7.

8. In the event that the Assignee should elect to surrender, let expire, abandon or release all or any of its rights in said lease acreage, or any part thereof, the Assignee shall notify the Assignor not less than sixty (60) days in advance of such surrender, expiration, abandonment or release, and, if requested so to do by the Assignor, the Assignee immediately shall reassign such rights in said lease acreage, or such part thereof, to the Assignor. If production from any lease covered hereby ceases at any time during the primary term thereof, the Assignee promptly shall notify the Assignor thereof in writing.

9. This assignment is made subject to all the terms and the express and implied covenants and conditions of the above described leases, insofar as such leases cover the gas rights only in all horizons or strata from the surface to, but not below, the base of the Hugoton Pay Zone lying in and under the land above described, which terms, covenants and conditions the Assignee hereby assumes and agrees to perform with respect to said rights lying in and under said land; provided, that, unless the Assignee should elect to surrender, let expire, abandon or release its rights in said lease acreage and should comply with the provisions hereof relative thereto, Assignor shall make a bona fide effort to pay such delay rentals as may hereafter become due and payable under the terms of the oil and gas leases above described, insofar as said leases cover the land above described, and Assignee shall reimburse Assignor to the extent of one-half ( $\frac{1}{2}$ ) of all of such rentals so paid within fifteen (15) hereof relative thereto, Assignor [fol. 545] shall make a bona fide effort to pay such delay rentals as may hereafter become due and payable under the terms of the oil and gas leases above described, insofar as said leases cover the land above described, and Assignee shall reimburse Assignor to the extent of one-half ( $\frac{1}{2}$ ) of all of such rentals so paid within fifteen (15) days following the receipt of Assignor's billing therefor. Said terms, covenants and conditions, insofar as the said lease acreage is concerned, shall be binding on the Assignee,

not only in favor of the lessors and their heirs and assigns, but also in favor of the Assignor and its successors and assigns.

10. This assignment is made without warranty of any kind.

11. All notices, reports and other communications required or permitted hereunder, or desired to be given with respect to the rights or interests herein assigned or reserved, shall be deemed to have been properly given or delivered when delivered personally or sent by registered mail or telegraph, with all postage or charges fully prepaid, and addressed to the Assignor and Assignee, respectively, as follows:

*Assignor:*

Stanolind Oil and Gas Company  
First National Building  
P. O. Box 1654  
Oklahoma City, Oklahoma

*Assignee:*

Graham-Michaelis Drilling Company  
1005 East Second Street  
Wichita, Kansas

12. The terms, covenants and conditions hereof shall be binding upon, and shall inure to the benefit of, the Assignor and the Assignee and their respective successors or assigns; and such terms, covenants and conditions shall be covenants running with the land above described and the lease acreage herein assigned, and with each transfer or assignment of said land or lease acreage.

To HAVE AND TO HOLD said lease acreage unto the Assignee, its successors and assigns, subject to the terms, covenants and conditions hereinabove set forth.

EXECUTED this 2nd day of January, 1957.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL

Its Attorney in Fact

Approved—HOL, JPW, JEI

[fol. 546]

STATE OF OKLAHOMA     )  
                                  ) ss.  
COUNTY OF OKLAHOMA    )

BEFORE ME, the undersigned, a Notary Public within and for said County and State, on this 2nd day of January, 1957, personally appeared V. G. HILL, to me known to be the identical person who executed the within and for going instrument as Attorney in Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

/s/ CATHERINE L. WRIGHT  
Notary Public

My Commission expires:

October 26, 1960

[fol. 547]

HOL/ww 5/2/56

FPC Gas Rate

Schedule No. 84

Supplement No. 86

Filing Date: 1-9-58

Effective Date: 6-26-56

Received

Jan 9 5 07 PM '58

Federal Power Commission

[Handwritten notations—Afe 18521—Contr. 34579]

STATE OF KANSAS )

) SS.

COUNTY OF MORTON )

## A S S I G N M E N T

KNOW ALL MEN BY THESE PRESENTS:

THAT in consideration of the sum of One Dollar (\$1.00) and other good and valuable considerations, the receipt and the sufficiency of which are hereby acknowledged, STANGLIND OIL AND GAS COMPANY, a corporation (hereinafter referred to as "Assignor"), hereby does bargain, sell, assign, transfer and convey unto EDWIN G. BRADLEY, his heirs and assigns (hereinafter referred to as "Assignee"), subject to the reservation of all the liquid and liquefiable hydrocarbons, as provided in paragraph 3 hereof, all its right, title and interest in and to the following described oil and gas leases, covering land situated in Morton County, State of Kansas, to wit:

*Lease No. 78779:*

Lessor: Forest W. Hanna, et ux.

Lessee: Joe E. Denham

Date: February 10, 1947

Recorded: Book 13, at page 141

*Lease No. 79194:*

Lessor: Vivian C. Glenn, et al.

Lessee: Joe E. Denham

Date: September 3, 1947

Recorded: Book 13, at page 354

[Handwritten notations—Sp C/O 2182 June '56 (Balance of handwriting illegible)—Lses. 78779 & 79194—\$2.75]



insofar as said leases cover the gas rights only in all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the following described land in said county and state, to wit: —

The East Half (E/2) and the Southwest Quarter (SW/4) of Section Thirteen (13), Township Thirty-Two South (T32S), Range Forty-One West (R41W)

(said leases and land above described, to the extent that said leases cover the gas rights only in all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under said land, hereinafter sometimes being referred to as the "lease acreage"), subject to the following terms, covenants and conditions:

1. The lease acreage covered hereby is assigned by the Assignor and accepted by the Assignee subject to the overriding royalties, production payments, net profits obligations, [fol. 548] tions, carried working interests and other payments out of or with respect to production which are of record and with which said "lease acreage is encumbered; and the Assignee hereby assumes and agrees to pay, perform or carry, as the case may be, each of said overriding royalties, production payments, net profits obligations, carried working interests and other payments out of or with respect to production, to the extent that it is or remains a burden on the lease acreage herein assigned.

2. In addition to any and all other overriding royalties, production payments and other encumbrances to which said lease acreage may be subject, the Assignor hereby excepts and reserves unto itself, its successors and assigns, an overriding royalty of one-sixteenth of seven-eighths ( $1/16$  of  $7/8$ ) of all the gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land above described and lying in and under the land with which the land above described, or any part thereof, has been, or may be, pooled,

unitized or consolidated, the market value (at the well) of which shall be paid to the Assignor free of all cost and expense, except taxes on production; provided, that: in the event the leases above described do not cover all the gas mineral rights in and to all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land above described, then, said overriding royalty, as to the gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under said land, shall be proportionately reduced so as to be equal to that proportion of one-sixteenth of seven-eighths ( $1/16$  of  $7/8$ ) of said gas which the interest in and to said gas mineral rights in said horizons or strata under said land covered by said leases bears to the full and undivided gas mineral estate in said horizons under said land; and, provided, further, that in the event the land above described, or any part thereof, as to the horizons from the surface to the base of the Hugoton Pay Zone lying in and under said land, is, or has been, pooled, unitized or consolidated with other land so as to form a drilling unit of approximately six hundred forty (640) acres in size, then, said overriding royalty as to the gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and [fol. 549] under the land included in said unit shall be proportionately reduced, or further proportionately reduced, if the first proviso hereof be applicable thereto, so as to be equal to that proportion of one-sixteenth of seven-eighths ( $1/16$  of  $7/8$ ) which the acreage above described included in said unit bears to all the acreage in said unit.

3. Assignor does hereby except and reserve unto itself, its successors and assigns, all the liquid and liquefiable hydrocarbons contained in the gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land above described, or any part thereof, or which may be attributable thereto from any unit which may include said horizons or strata in and under said land, or any part thereof, and which said liquid and liquefiable hydrocarbons may be processed or extracted from the gas produced from said horizons through facilities designated in writing from As-

signor to Assignee; provided, that, until such time as the Assignor may notify Assignee in writing of its desire that said gas be processed and the liquid and liquefiable hydrocarbons contained therein be extracted from said gas, this reservation of the liquid and liquefiable hydrocarbons shall in no manner interfere with, prevent or prohibit the marketing of gas produced and saved from said land by Assignee. With respect to the liquid and liquefiable hydrocarbons processed and extracted from the gas produced and saved from all horizons or strata from the surface to the base of the Hugoton Pay Zone lying in and under the land above described, or which may be attributable thereto from any unit including said land, or any part thereof, Assignor agrees to reimburse Assignee for all royalty paid by Assignee on said liquid and liquefiable hydrocarbons.

4. This contract shall in all respects be subject to the terms, covenants and conditions of the following prior contracts affecting said lease acreage, to wit:

- (a) Gas Processing Agreement, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Stanolind", and Cities Service Gas Company, therein referred to as "Cities".
- (b) Gas Purchase Contract, dated June 23, 1950, by and between Stanolind Oil and Gas Company, therein referred to as "Seller", and Cities Service Gas Company, therein referred to as "Buyer".

[fol. 550] 5. With respect to the overriding royalty herein excepted and reserved by the Assignor, the Assignor and the Assignee agree as follows:

- (a) That said overriding royalty shall extend to any extensions or renewals of the leases above described.
- (b) That oil and gas used in drilling and operations on said lease acreage and in the handling of production therefrom shall be deducted before said overriding royalty is computed.
- (c) That the Assignee shall furnish to the Assignor authentic itemized monthly reports of all production

from said lease acreage, such reports to be mailed not later than the fifteenth day of the month following that for which the report is made.

6. As to any wells drilled on said lease acreage by the Assignee after the delivery of this assignment, the Assignee shall give the Assignor access to said wells and the derrick floor at all reasonable times and, upon request of the Assignor, shall furnish to the Assignor well samples of all cores and cuttings consecutively taken, unless the Assignor elects to take such samples itself; and, at the request of the Assignor, the Assignee shall furnish to the Assignor copies of any electrical well formation surveys made.

7. In the event that the Assignee should elect to surrender, let expire, abandon or release all or any of his rights in said lease acreage, or any part thereof, the Assignee shall notify the Assignor not less than sixty (60) days in advance of such surrender, expiration, abandonment or release, and, if requested so to do by the Assignor, the Assignee immediately shall reassign such rights in said lease acreage, or such part thereof, to the Assignor.

8. This assignment is made subject to all the terms and the express and implied covenants and conditions of the above described leases, insofar as such leases cover the gas rights only in all horizons or strata from the surface to the base of the Hugotón Pay Zone lying in and under the land above described, which terms, covenants and conditions the Assignee hereby assumes and agrees to perform with respect to said rights lying in and under said land; provided, that, unless the Assignee should elect to surrender, let expire, abandon or release its rights in said lease acreage and should comply with the provisions hereof relative thereto, Assignor shall make a bona fide effort to pay such delay [fol. 551] rentals as may hereafter become due and payable under the terms of the oil and gas leases above described, insofar as said leases cover the land, or any part thereof, above described, and Assignee shall reimburse Assignor to the extent of one-half ( $\frac{1}{2}$ ) of all of such rentals so paid

within fifteen (15) days following the receipt of Assignor's billing therefor. Said terms, covenants and conditions, insofar as the said lease acreage is concerned, shall be binding on the Assignee not only in favor of the lessors and their heirs and assigns, but also in favor of the Assignor and its successors and assigns.

9. This assignment is made without warranty of any kind.

10. All notices, reports and other communications required or permitted hereunder, or desired to be given with respect to the rights or interests herein assigned or reserved, shall be deemed to have been properly given or delivered when delivered personally or sent by registered mail or telegraph, with all postage or charges fully prepaid, and addressed to the Assignor and Assignee, respectively, as follows:

*Assignor:*

Stanolind Oil and Gas Company  
First National Building  
P. O. Box 1654  
Oklahoma City, Oklahoma

*Assignee:*

Mr. Edwin G. Bradley  
420 Union National Bank Building  
Wichita 2, Kansas

11. The terms, covenants and conditions hereof shall be binding upon, and shall inure to the benefit of, the Assignor and the Assignee, the successors and assigns of the Assignor and the heirs, executors, administrators, devisees, personal representatives and assigns of the Assignee; and such terms, covenants and conditions shall be covenants running with the land above described and the lease acreage herein assigned, and with each transfer or assignment of said land or lease acreage.

TO HAVE AND TO HOLD said lease acreage unto the Assignee, his heirs and assigns, subject to the terms, covenants and conditions hereinabove set forth.

EXECUTED this 26th day of June, 1956.

STANOLIND OIL AND GAS COMPANY

By /s/ V. G. HILL

Its Attorney in Fact

Approved—JEH, TW, HOF

[fol. 552]

STATE OF OKLAHOMA )  
 ) SS.  
COUNTY OF OKLAHOMA )

BEFORE ME, the undersigned, a Notary Public within and for said County and State, on this 26th day of June, 1956, personally appeared V. G. HILL, to me known to be the identical person who executed the within and foregoing instrument as Attorney in Fact of STANOLIND OIL AND GAS COMPANY, a corporation, and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of STANOLIND OIL AND GAS COMPANY, a corporation, for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal the day and year last above written.

/s/ JOAN MILLER  
Notary Public

My commission expires:

Joan Miller, Notary Public  
State of Oklahoma

My Commission Expires July 16, 1957

[fol. 553]

EXHIBIT 4 TO MOTION BY PLAINTIFF  
FOR SUMMARY JUDGMENT

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

CERTIFICATION

I hereby certify that the attached twenty-eight (28) pages are true copies of an "ORDER APPROVING PROPOSED SETTLEMENT AND REQUIRING TARIFF REVISIONS TO BE FILED AND TERMINATING PROCEEDINGS" issued May 25, 1956, in the matter of Cities Service Gas Company, Docket Nos. G-2410 and G-9468 and Cities Service Gas Producing Company Docket Nos. G-8728 and G-9309 on file with this Commission.

This 17th day of November, 1958.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

/s/ J. H. GUTRIDE

Secretary

[Seal]



[fol. 554]

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

Before Commissioners: Jerome K. Kuykendall, Chairman; Claude L. Draper, Seaborn L. Digby, Frederick Stueck and William R. Connoles.

In the Matters of	)
Cities Service Gas Company	) Docket Nos. G-
	) 2410 and G-9468
and	)
Cities Service Gas Producing Company	) Docket Nos. G-
	) 8728 and G 9309

ORDER APPROVING PROPOSED SETTLEMENT AND REQUIRING  
TARIFF REVISIONS TO BE FILED AND TERMINATING PROCEEDINGS

(Issued May 25, 1956).

These proceedings in Docket Nos. G-2410 and G-9468 arose from rate increases filed by Cities Service Gas Company (Cities Service). The proceeding in Docket No. G-9309 arose from a rate increase filed by Cities Service Gas Producing Company (Producing Company). The proceeding in Docket No. G-8728 concerns a general investigation instituted by the Commission, upon its own motion, of the lawfulness of Producing Company's rates. The records in the proceedings in Docket Nos. G-2410 and G-8728 have been certified to us for approval of a proposed settlement of these four proceedings, as stated in such records by Commission Staff Counsel in open hearing and agreed to by all parties to the proceedings. Upon consideration of the records, we approve the terms of the proposed settlement and we will permit the agreed upon rate increases to become effective, subject to the terms and conditions hereinafter set forth, as agreed to by the parties.

On March 22, 1954, Cities Service tendered for filing with the Commission its FPC Gas Tariff, Second Revised Volume No. 1, proposed to become effective April 23, 1954, and proposing, among other things, an annual increase in rates of \$12,589,072 for sales of natural gas, subject to the jurisdiction of the Commission, based on sales for the year 1953, as adjusted.

By order issued April 22, 1954, in Docket No. G-2410, pursuant to authority contained in Sections 4 and 5 of the Natural Gas Act, the Commission, upon its own motion, among other things, suspended and deferred the use of Cities Service's FPC Gas Tariff, Second Revised Volume No. 1, excepting Original Sheets Nos. 14, 15, 16 and 17 thereof, until September 23, 1954, and until such further time thereafter as it may be made effective in the manner prescribed by the Natural Gas Act; and the Commission thereby entered upon an investigation concerning the lawfulness of the rates and charges of Cities Service.

-2-

[fol. 555] The aforesaid Original Sheets Nos. 14, 15, 16 and 17, which set forth Rate Schedules I-1 and I-2 applicable to sales of natural gas for resale for industrial use only, were allowed to take effect as of April 23, 1954, as proposed.

On May 20, 1954, Cities Service filed Original Sheets Nos. 9-A, 9-B, 9-C and 9-D to its FPC Gas Tariff, First Revised Volume No. 1, providing a new Rate Schedule No. L-2 governing sales for resale to consumers using dual fuel heating equipment. Also on May 20, 1954, Cities Service filed Original Sheets Nos. 9-A, 9-B, 9-C and 9-D to its FPC Gas Tariff, Second Revised Volume No. 1, providing increased rates for sales under its Rate Schedule No. L-2.

Thereafter, by order issued July 22, 1954, in Docket No. G-2209, the Commission allowed these original sheets to Cities Service's FPC Gas Tariff, First Revised Volume No. 1, to become effective as of March 23, 1954; and, by said order, suspended and deferred the use of Original Sheets Nos. 9-A, 9-B, 9-C and 9-D to Cities Service's FPC Gas Tariff, Second Revised Volume No. 1, until September 23, 1954, and until such further time thereafter as they may be made effective in the manner prescribed in the Natural Gas Act.

For the purposes of this settlement it was further agreed that the revenues received by Cities Service from jurisdictional sales during the twelve months ending December 31, 1955, exceeded its cost of service attributable to such sales during that period in the amount of \$3,587,613; that during the period commencing September 23, 1954, and ending April 22, 1956 the revenues received by Cities Service from jurisdictional sales exceeded its cost of service attributable to such sales in the amount of \$6,300,000; and that such amount of \$6,300,000 is the principal amount to be refunded under this agreement to those entitled thereto, together with interest computed in the manner hereinafter provided, all as shown on Appendices B, C and D hereto: Provided, further, That should subsequent action by this Commission or by the courts result in refunds to Cities Service of any portion of monies paid by Cities Service to its suppliers, including Producing Company, for natural gas purchased by Cities Service during the period commencing September 23, 1954, and ending April 22, 1956, Cities Service shall make further additional refunds to those entitled thereto in the manner hereinafter provided.

For the purposes of this settlement it is agreed that in arriving at the principal amount of refund of \$6,300,000

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[fol. 563] to be paid by Cities Service to those entitled thereto for sales during the period commencing September 23, 1954, and ending on April 22, 1956, the cost of gas purchased by Cities Service from Phillips Petroleum Company, Harper Oil Company, Magnolia Petroleum Company, Signal Oil and Gas Company and companies involved in cases questioning the Kansas Minimum Price Orders has been computed at rates which are the subject of proceedings before this Commission or before the courts, and which have not been finally determined or fixed.

Accordingly, it was further agreed by the parties that, in the event subsequent action by this Commission or by the courts results in refunds to Cities Service of any portion of monies paid by Cities Service to these suppliers of natural gas during the period commencing September 23, 1954, and ending April 22, 1956, Cities Service shall refund such part of the amount received by it as is applicable to sales made under its F, L, C, I, and P Rate Schedules, the same to be distributed to those entitled thereto in propor-

tion to purchases from Cities Service under said rate schedules during the period commencing September 23, 1954 and ending April 22, 1956, without additional cost or liability to Cities Service.

The settlement provided that the part of the amount received by Cities Service which is to be refunded by it shall represent the proportion which the sales under its F. L. C. I. and P. Rate Schedules bear to the total sales, both jurisdictional and non jurisdictional, made by Cities Service in the period involved.

The parties further agreed that no such refunds attributable to purchases prior to April 22, 1956, need be made by Cities Service until the accumulated amount of such refunds reaches \$200,000, except for the final refund, which need not be made if it is less than \$25,000. Refunds paid in accordance with this provision shall not bear interest.

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[fol. 564] For the purposes of this settlement it was also agreed that the interest to be paid by Cities Service on the \$6,300,000 refund due to those entitled thereto shall be computed at the rate of six (6) per cent per year and upon the following assumptions:

(a) That the excess of rates and charges collected by Cities Service from each customer during each billing month commencing September 23, 1954, and continuing through April 22, 1956, shall be computed by applying against the actual volumes purchased under each applicable rate schedule in each billing month the refundable amount as stated in cents per Mcf in Appendix C hereto.

(b) That interest shall commence to run on each such calculated excess of monthly payment on the fifteenth day of the month in which payment was actually received by Cities Service.

(c) That all interest payable by Cities Service pursuant to the agreed settlement shall terminate on the date of actual payment by Cities Service to each customer of the principal amount of refund due: Provided, That Cities Service shall make all refunds of principal and interest within thirty (30) days from the date of issuance of this order of approval.

By said order issued July 22, 1954, the Commission also provided that the last-mentioned tariff sheets comprising the increased Rate Schedule No. I-2 should, for the purpose of hearing and final determination, be made a part of, and disposed of together with other matters in Docket No. G-2410.

On October 22, 1954, pursuant to appropriate motion of Cities Service, the Commission issued its order in Docket No. G-2410 making effective as of September 23, 1954, Cities Service's FPC Gas Tariff, Second Revised Volume No. 1, subject to further orders of the Commission in that proceeding.

The order issued October 22, 1954, also provided, among other things, that Cities Service shall refund to those entitled thereto any portion of the increased rates made so effective as may be found by the Commission in that proceeding not justified, with interest at the rate of 6 per cent per annum from the date of payment to Cities Service until refunded.

On May 4, 1955, Cities Service filed First Revised Sheets Nos. 12 and 16 to its FPC Gas Tariff, Second Revised Volume No. 1, providing tariff changes in Rate Schedules Nos. C-2 and I-2 in respects other than the level of rates. By order issued June 3, 1955, in Docket No. G-2410, the First Revised Sheet No. 12 was allowed to take effect as of September 23, 1954, subject to all of the terms and condi-

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[fol. 556] tions set forth in the aforesaid order issued October 22, 1954, and First Revised Sheet No. 16 was allowed to take effect as of April 23, 1954.

On September 22, 1955, Cities Service tendered for filing First Revised Sheets Nos. 4, 5, 7, 8, 9-A, 9-B, 10, 14 and 19 and Second Revised Sheets Nos. 12 and 16 to its FPC Gas Tariff, Second Revised Volume No. 1, and Second Revised Sheet No. 27 to its FPC Gas Tariff, Original Volume No. 2, each of which was proposed to become effective as of October 23, 1955.

These proposed revised tariff sheets tendered on September 22, 1955, were estimated to result in a further annual increase in rates for sales of natural gas, subject to the jurisdiction of the Commission, of about \$3,963,000 above those estimated to result from the prior filing of

March 22, 1954, based on sales for the twelve-month period ending June 30, 1955.

By order issued October 13, 1955, in Docket No. G-9468, pursuant to authority contained in Sections 4 and 5 of the Natural Gas Act, the Commission, upon its own motion, among other things, suspended and deferred the use until March 23, 1956, of the aforesaid First Revised Sheets Nos. 4, 5, 7, 8, 9-A, 9-B, 10 and 19 and Second Revised Sheet No. 12 to Cities Service's FPC Gas Tariff, Second Revised Volume No. 1, and Second Revised Sheet No. 27 to Cities Service's FPC Gas Tariff, Original Volume No. 2, and until such further time thereafter as they may be made effective in the manner prescribed by the Natural Gas Act; and the Commission thereby entered upon an investigation concerning the lawfulness of the rates and charges proposed in said Revised Tariff Sheets.

The aforesaid First Revised Sheet No. 14 and Second Revised Sheet No. 16 to Cities Service's FPC Gas Tariff, Second Revised Volume No. 1, pertaining to rate schedules governing sales of natural gas for resale for industrial use only were allowed to take effect as of October 23, 1955, as proposed.

Cities Service, pursuant to Section 4 (e) of the Natural Gas Act, filed on March 9, 1956, a motion, as amended by a further filing on April 30, 1956, to effectuate, as of April 23, 1956, those changes in rates, charges, classifications and services proposed in the aforesaid filing of September 22, 1955, which are the subject of proceedings in Docket No. G-9468. The Commission has not yet taken any action on this amended motion.

By order issued April 8, 1955, in Docket No. G-8728, the Commission, upon its own motion, pursuant to the authority contained in Section 5 of the Natural Gas Act, entered upon an investigation of the lawfulness of the rates and charges demanded and collected by the Cities Service Gas Produ-

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[fol. 557] ing Company, a wholly-owned subsidiary of Cities Service, for the transportation or sale of natural gas, subject to the jurisdiction of the Commission.

On August 8, 1955, Producing Company filed with the Commission Supplement No. 1 to its FPC Gas Rate Schedule No. 1 proposing increased rates for sales of natural



gas to Cities Service, subject to the jurisdiction of the Commission, which were proposed to become effective as of September 10, 1955. It was estimated that the proposed change in rates would result in increased payments by Cities Service of approximately \$885,476 per year.

By order issued September 9, 1955, in Docket No. G-9309, pursuant to authority contained in Section 4 of the Natural Gas Act, the Commission, upon its own motion, among other things, suspended and deferred the use of the aforesaid Supplement No. 1 to Producing Company's FPC Gas Rate Schedule No. 1 until October 10, 1955, and until such further time as it may be made effective in the manner prescribed by the Act.

On November 7, 1955, pursuant to appropriate motion of Producing Company, the Commission issued its order in Docket No. G-9309 making effective as of October 10, 1955, Supplement No. 1 to Producing Company's FPC Gas Rate Schedule No. 1, subject to further orders of the Commission in that proceeding. The order issued November 7, 1955, also provided, among other things, that Producing Company shall refund to those entitled thereto any portion of the increased rates so made effective as may be found by the Commission in that proceeding not justified, with interest at the rate of 6 per cent per annum from the date of payment to Producing Company until refunded.

Hearings in the proceedings in Docket No. G-2410 commenced on July 26, 1954, and have continued intermittently since that date, with necessary recesses. During this period, some sixty-two days of hearings have been held, but the hearings have not been concluded.

Hearings in the proceedings in Docket No. G-8728 were commenced on June 27, 1955, and have continued intermittently since that date, with necessary recesses.

Pursuant to request of Staff Counsel, and with concurrence of all parties, a conference among the parties to these proceedings was held on April 17 through 20, 1956, and on May 1 through 8, 1956, respecting the possibility of agreement on or simplification of the issues in the aforementioned four proceedings. On May 8, 1956, final agreement was reached by all parties to the proceedings respecting



the matters and issues related to the several proceedings in Docket Nos. G-2410, G-8728, G-9309 and G-9468.

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[fol. 558] The Commission's Staff computed a net investment rate base for Cities Service for the year 1955, as adjusted, of \$124,134,278, including an allowance of \$3,614,939 for working capital computed in recognition of the availability of accruals for Federal taxes on income. Allowing a 6 per cent return upon this rate base, the Staff developed a total cost of service for Cities Service of \$59,933,270 for the year ended December 31, 1955. Of this total, \$41,021,632 was allocated by the Staff to jurisdictional sales. This cost of service estimate was presented to all parties to these proceedings and an agreement was reached that rates which would yield revenues of \$39,851,938 from Cities Service's sales in interstate commerce for resale, exclusive of sales under Rate Schedule X-5, based upon operations for the year 1955, as adjusted (Appendix A hereto), would be fair and reasonable and acceptable to all parties, subject to the terms and conditions of the settlement hereinafter stated.

It was agreed that Cities Service will, as soon as possible after the issuance of this order, file with the Commission revised rate schedules embodying the rates hereinafter set forth. These revised schedules are to be effective as of April 23, 1956, and shall supersede the increased schedules of rates and charges set forth in Cities Service's FPC Gas Tariff, Second Revised Volume No. 1, as originally filed on March 22, 1954, and amended and supplemented by the filing of Original Sheets Nos. 9-A, 9-B, 9-C and 9-D thereto on May 20, 1954. It was also agreed that Cities Service shall file at the same time such other revised tariff sheets as may be necessary to provide that "a large commercial or industrial consumer" for the purposes of the tariff be defined as "one whose use at a single address or location is, or is estimated to be, 3,000 Mcf or more in any one billing month during a period consisting of the twelve billing months of January through December."

The rate levels of Cities Service to be embodied in the proposed revised schedules to be made effective as of April 23, 1956, as agreed upon by all parties, are as follows:

Rate per Mcf  
at 14.65 psia

### Rate Schedule F-1

Base .....	16.4¢
Excess .....	24.55¢

### Rate Schedule F-2

Base .....	19.0¢
Excess .....	28.45¢

### Rate Schedule L-2

Base .....	19.0¢
Excess .....	23.73¢

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Rate Schedule C-1 .....	15.55¢
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Rate Schedule C-2 .....	17.05¢
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Rate Schedule I-1 .....	13.55¢
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Rate Schedule I-2 .....	15.05¢
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### Rate Schedule E

Minimum Months .....	\$25.00
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Balance Mcf .....	40.00¢
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### Rate Schedule P

Billing Demand .....	\$ 1.00
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### Commodity

Up to Maximum Obligation .....	14.55¢
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Excess .....	40.00¢
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### Rate Schedule X-5 .....

A price equal to the price paid by Cities Service to Consolidated Gas Utilities Corporation at the Grady County, Oklahoma delivery point, plus three cents per thousand cubic feet measured at 16.4 pounds per square inch absolute.

These rates would produce an estimated increase of \$10,208,002 in revenues from Cities Service's jurisdictional sales over the estimated revenues which would be produced

under the rates in effect prior to April 23, 1954, as shown on Appendix E hereto.

For the purpose of this settlement, it was stipulated and agreed that Cities Service will not within one year from April 21, 1956, file any general increase in rates unless within such one year period plus the period of six months immediately thereafter it has incurred, or will incur within six months from date of filing, increased costs, the aggregate annual effect of which results in a deficiency of \$1,000,000 or more from jurisdictional business.

For the purpose of determining the appropriateness of such filing under the terms of the settlement, it was also agreed that the cost of service allocated to jurisdictional business in this settlement shall be adjusted to reflect all increased costs on an annual basis subject to the following:

1. Increases in the cost of purchased gas other than gas purchased from Cities Service Gas Producing Company shall be limited to an increase in the weighted average unit cost of such purchased gas above the weighted average unit cost used in this settlement cost of service.

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[fol. 560] 2. No increase in the unit cost of gas purchased from Cities Service Gas Producing Company as used in this settlement cost of service shall be included for the purpose of making such computation.

3. Increases in taxes due to changes in tax rates shall be limited to the increase in tax rates above the level used in this settlement cost of service.

4. Increases due to higher wage and salary rates shall be limited to any increase in salary and wage rates above the level of such rates used in this settlement cost of service.

5. The allowance for depreciation and amortization and for return shall be computed at the rates included in this settlement cost of service.

6. The rate base shall be computed in the same manner as computed in this settlement agreement.

7. All methods of cost determination and cost allocation as between jurisdictional and non-jurisdictional sales used

in this settlement cost of service, as reflected by the Commission Staff working papers supporting Appendix A hereto, shall be followed.

It was agreed that the cost of service allocated to jurisdictional business thus determined shall be compared with the revenues from jurisdictional business used in this settlement adjusted for any increases or decreases which have occurred, or will occur, within such period of eighteen months after April 21, 1956, and if such adjusted cost of service exceeds the adjusted revenues by \$1,000,000 or more, then Cities Service will be deemed to be entitled to file for a general increase in rates under this stipulation.

It was further understood and agreed by the parties that in the event Cities Service deems it is justified in filing for a rate increase pursuant to the foregoing provisions of the settlement, Cities Service will notify all parties hereto simultaneously with the filing and indicate in such notification the justification for such filing pursuant to the settlement agreement. However, it was also agreed that, in any filing with the Commission, Cities Service will not be restricted to the methods used in this settlement agreement in computing Cities Service's cost of service, allocation, and revenue deficiency.

In the event Cities Service files before April 21, 1957, an increase in its "I" rates, it agreed that it will not propose that such rates be made effective prior to October 23, 1956, or 60 days from the date of filing, whichever is later.

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[fol. 561] For the purpose of this part of the settlement, it was agreed that an increase in the "I" Schedules would be considered as a general increase.

In arriving at the total cost of service of \$58,929,540, as shown in Appendix A hereto, the cost of gas purchased and estimated to be purchased by Cities Service from Phillips Petroleum Company, Harper Oil Company, Magnolia Petroleum Company, Signal Oil and Gas Company and companies involved in cases questioning the Kansas Minimum Price Orders was computed at rates which are the subject of proceedings before this Commission or before the courts, and which have not been finally determined or fixed.

Accordingly, it was further agreed by the parties that, in the event subsequent action by this Commission or the

courts results in refunds to Cities Service of any portion of monies paid by Cities Service to these suppliers of natural gas during the period the rates to be made effective pursuant to this order shall be in effect, Cities Service shall refund such part of the amount received by it as is applicable to sales made under its F, L, C, I, and P Rate Schedules, the same to be distributed to those entitled thereto in proportion to purchases from Cities Service under said rate schedules during the period from and after April 23, 1956, without additional cost or liability to Cities Service.

The part of the amount received by Cities Service which is to be refunded by it shall represent the proportion which the sales made under its F, L, C, I and P Rate Schedules bear to the total sales, both jurisdictional and non-jurisdictional, made by Cities Service in the period involved: Provided, that within thirty (30) days from the date of the making of such refunds, Cities Service shall file with the Commission revised schedules providing reduced rates reflecting the future reduction in cost of gas purchased from its said suppliers; And Provided, further, that in the making of the refunds here contemplated Cities Service shall include all monies accruing to it by reason of the reduced cost of gas purchased from said suppliers during the period beginning April 23, 1956 and ending with the effective date of the revised rate schedules to be filed pursuant to this provision of the agreement.

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[fol. 562] It was further agreed by the parties that no such refunds need be made by Cities Service until the accumulated amount to be refunded totals \$200,000, except for the final refund, which need not be made if it is less than \$25,000. The parties also agreed that Cities Service should not be required to pay any interest on these future refunds.

For the purposes of this settlement it was also agreed by the parties that Cities Service's total overall cost of service, both jurisdictional and non-jurisdictional, for the twelve months ending December 31, 1955, without pro forma adjustments, was \$58,721,507; and that Cities Service's cost of service for jurisdictional sales during that period was \$39,651,938, exclusive of sales under Rate Schedule X-5, as shown on Appendix B hereto.

In view of the settlement reached herein in the proceedings in Docket Nos. G-2410 and G-9468 respecting rates of Cities Service and the fact that substantially all of the natural gas produced by Producing Company is sold to Cities Service, it was agreed by the parties that further proceedings in Docket Nos. G-8728 and G-9309 are neither required nor necessary, and that the proceedings in Docket Nos. G-8728 and G-9309 should be now terminated and that the rates filed by Producing Company on August 8, 1955, should be continued in effect without suspension and the undertaking discharged: Provided, however, That in the event the Commission's order issued July 15, 1955, in Docket No. G-5788 be finally sustained by the Courts, Cities Service shall refund to those entitled thereto the portion of any refunds made to it by the Producing Company, in the manner hereinbefore stated, but only for the period from September 23, 1954 through October 9, 1955.

For the purposes of this settlement it was further agreed and recognized that the termination of the proceedings in Docket No. G-9309 as proposed would not provide a determination of the reasonableness of the rates of Producing Company. Accordingly, it was further agreed by the parties that the termination of the proceedings in Docket No. G-9309 under these circumstances shall not be construed as a recognition that the rates of Producing Company which are the subject of such proceeding are just and reasonable or otherwise.

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[fol. 565] Staff Counsel, with the concurrence of all parties, moved for omission of the intermediate decision procedure in these proceedings and requested the Commission to forthwith render the final decision herein. This motion is deemed to have been granted in accordance with the provisions of Section 1.30 (c) of the Commission's Rules of Practice and Procedure [18 CFR 1.30(c)].

The Commission *finds*:

- (1) The proposed settlement of these rate proceedings on the basis heretofore described, subject to the terms and conditions hereinafter ordered, is appropriate and in the public interest in carrying out the provisions of the Natural Gas Act and should be



approved and made effective as hereinafter provided and ordered.

- (2) In the event subsequent action by the Commission or the courts results in refunds to Cities Service of any portion of monies paid by Cities Service for gas purchased from Phillips Petroleum Company, Harp-er Oil Company, Magnolia Petroleum Company, Sig-nal Oil and Gas Company, or any of the companies involved in cases questioning the so-called Kansas Minimum Price Orders during the period the rates to be made effective pursuant to this order shall be in effect, Cities Service should refund such part of the amount received by it as is applicable to sales made under its F, L, C, I and P Rate Schedules, and the same should be distributed to those entitled thereto in proportion to purchases from Cities Ser-vice under said rate schedules during the period from and after April 23, 1956, without additional cost or liability to Cities Service. The part of the amount received by Cities Service which should be refunded by it shall represent the proportion which the sales made under its F, L, C, I and P Rate Schedules bear to the total sales, both jurisdictional and non-jurisdictional, made by Cities Service in the period involved. Moreover, within thirty (30) days from the date of the making of the refunds contemplated by this paragraph, Cities Service should be required to file schedules providing reduced rates reflecting the future reduction in the cost of gas purchased from its said suppliers. Furthermore, in the making of the refunds contemplated by this paragraph, Cit-ies Service should be required to include all monies

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[fol. 566] accruing to it by reason of the reduced cost of gas purchased from the above-mentioned sup-pliers during the period beginning April 23, 1956, and ending with the effective date of the revised rate schedules to be filed as here provided.

- (3) In the event subsequent action by this Commission or the courts results in refunds to Cities Service of any portion of monies paid by Cities Service for gas



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 purchased from Phillips Petroleum Company, Harper Oil Company, Magnolia Petroleum Company, Signal Oil and Gas Company, or any of the companies involved in cases questioning the so-called Kansas Minimum Price Orders during the period commencing September 23, 1954, and ending April 22, 1956, Cities Service should refund such part of the amount received by it as is applicable to sales made under its F, L, C, I and P Rate Schedules, and the same should be distributed to those entitled thereto in proportion to purchases from Cities Service under said rate schedules during the period commencing September 23, 1954, and ending April 22, 1956, without additional cost or liability to Cities Service. The part of the amount received by Cities Service which should be refunded by it shall represent the proportion which the sales made under its F, L, C, I and P Rate Schedules bear to the total sales, both jurisdictional and non-jurisdictional, made by Cities Service in the period involved.

- (4) The refunds by Cities Service contemplated by paragraphs (2) and (3) above should not be required to be made by Cities Service until the accumulated amount of such refunds reaches \$200,000, except for the final refund, which Cities Service should not be required to make if the total thereof is less than \$25,000. Furthermore, the refunds by Cities Service contemplated by this paragraph and paragraphs (2) and (3) above should not bear interest.
- (5) In the event the Commission's order issued July 15, 1955, in Docket No. G-5788, respecting rates of Producing Company, be finally sustained by the courts, Cities Service should refund to those entitled thereto a portion of any refunds made to it by the Producing Company for the period commencing September 23, 1954, and continuing through October 9, 1955, which refunds by Cities Service shall be determined in the manner described in paragraph (3) above.

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[fol. 567] The Commission orders:

- (A) The increased rates and charges provided in Cities Service's aforementioned filings of March 22, 1954, in Docket No. G-2410, and of May 20, 1954, in Docket No. G-2209, and of September 22, 1955 in Docket No. G-9468, be and the same are hereby disallowed.
- (B) Within ten (10) days after the date of issuance of this order, Cities Service shall file, in a form satisfactory to the Commission, revised tariff sheets providing the rates and charges heretofore stated at pages 5 and 6 hereof, to be effective as of April 23, 1956, in supersession of the rates and charges heretofore effective under Cities Service's undertaking to refund in Docket No. G-2410 if so ordered.
- (C) Cities Service shall refund, within thirty (30) days after the date of issuance of this order, a total principal amount of \$6,299,845, and to each of its several customers named in Appendix D hereto the principal amounts shown in said Appendix D to be refunded to each customer, plus interest computed in the manner hereinbefore stated at page 11 of this order. And Cities Service, within forty-five (45) days after the date of issuance of this order, shall report to the Commission, in writing and under oath, the amount of the refund made to each customer, showing separately the amount of principal and interest so paid, and it shall serve a copy of such report upon each of the customers receiving a refund.
- (D) In the event subsequent action by this Commission or by the courts results in refunds to Cities Service of any portion of monies paid by Cities Service for gas purchased from Phillips Petroleum Company, Harper Oil Company, Magnolia Petroleum Company, Signal Oil and Gas Company, or any of the companies involved in cases questioning the so-called Kansas Minimum Price Orders during the period the rates to be made effective pursuant to paragraph (B) above shall be in effect, Cities Service shall refund such part of the amount re-

ceived by it as is applicable to sales made under its F, L, C, I and P Rate Schedules, and the same shall be distributed to those entitled thereto in proportion to purchases from Cities Service under said rate schedules during the period on and after April 23, 1956, without additional cost or liability to Cities Service. The part of the amount received by Cities Service to be so refunded shall represent the proportion which the sales made under its F, L, C, I and P Rate Schedules bear to the total sales, both jurisdictional and non-jurisdictional, made by Cities Service in the period involved. Within thirty (30) days from the date of the making of the refunds provided in this paragraph, Cities Service shall file, in a form satisfactory to the Commission, schedules providing reduced rates and charges re-

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[fol. 568] fleeing the future reduction in the cost of gas purchased by Cities Service from its suppliers. In the making of the refunds provided in this paragraph, Cities Service shall include all monies accruing to it by reason of the reduced cost of gas purchased from the above-mentioned suppliers during the period beginning April 23, 1956, and ending with the effective date of the revised rate schedules to be filed pursuant to this paragraph.

- (E) In the event subsequent action by this Commission or by the courts results in refunds to Cities Service of any portion of monies paid by Cities Service for gas purchased from Phillips Petroleum Company, Harper Oil Company, Magnolia Petroleum Company, Signal Oil and Gas Company, or any of the companies involved in cases questioning the so-called Kansas Minimum Price Orders during the period commencing September 23, 1954, and ending April 22, 1956, Cities Service shall refund such part of the amount received by it as is applicable to sales made under its F, L, C, I and P Rate Schedules, and the same shall be distributed to those entitled thereto in proportion to purchases from Cities Ser-

vice under said rate schedules during the period commencing September 23, 1954, and ending April 22, 1956, without additional cost or liability to Cities Service. The part of the amount received by Cities Service to be so refunded shall represent the proportion which the sales made under its F, L, C, I and P Rate Schedules bear to the total sales, both jurisdictional and non-jurisdictional, made by Cities Service in the period involved.

(F) No refunds need be made by Cities Service pursuant to the provisions of paragraph (D) or (E) above until the accumulated refundable amount reaches \$200,000, except for the final refund, which need not be made by Cities Service if the total amount refundable is less than \$25,000. Refunds paid in accordance with this paragraph and paragraphs (D) and (E) above shall not bear interest.

(G) Within ten (10) days after the date of issuance of this order, Cities Service shall file, in a form satisfactory to the Commission, such other revised tariff sheets as may be necessary to provide that "a large commercial or industrial consumer" for the purpose of Cities Service's tariff shall be defined as "one whose use at a single address or location is, or is estimated to be, 3,000 Mcf or more in any one billing month during a period consisting of the twelve billing months of January through December."

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[fol. 569] (H) In the event the Commission's order issued July 15, 1955, in Docket No. G-5788, respecting rates of Producing Company, be finally sustained by the courts, Cities Service shall refund to those entitled thereto a portion of any refunds made to it by the Producing Company for the period commencing September 23, 1954, and continuing through October 9, 1955, which refunds by Cities Service shall be determined in the manner provided in paragraph (E) above.

- (I) Cities Service, within fifteen (15) days after the date of the making of refunds pursuant to paragraphs (D), (E), (F) or (H) above, shall report to the Commission, in writing and under oath, the amount of the refund made to each customer, showing the basis upon which it was computed, and, it shall serve a copy of such report upon each of the customers receiving a refund.
- (J) Upon compliance by Cities Service with the terms and conditions of this order the proceedings in Docket Nos. G-2410, G-8728 and G-9309 shall be terminated and the proceedings in Docket No. G-9468 shall be dismissed.
- (K) This order is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceedings now pending or hereafter instituted against Cities' Service.

By the Commission.

/s/ LEON M. FUQUAY  
Leon M. Fuquay,  
Secretary.

**CHRYSLER SERVICE GAS COMPANY**  
**Allocation of Cost of Service For Future Purposes**

Year 1955

	<u>Particulars</u> (a)	<u>Gas Supply</u> (b)	<u>Gathering</u> (c)	<u>Transmission</u>		<u>Storage</u>		<u>Customers Accounting &amp; Collecting</u> (h)	<u>Rate Case Expense</u> (i)	<u>Total Cost of Service</u> (j)
				<u>Commodity</u> (d)	<u>Demand</u> (e)	<u>Commodity</u> (f)	<u>Demand</u> (g)			
<u>Field Sales</u>										
1	Direct Sales	\$ 5,302	\$ 896	\$ -	\$ -	\$ -	\$ -	\$ 2,065	\$ -	\$ 8,303
<u>Transmission</u>										
2	Interstate	18,786,100	2,872,092	7,751,405	8,314,994	626,270	871,960	509,157	120,000	39,851,938
3	Intrastate	5,384	847	4,300	4,433	203	465	1,377	-	15,149
4	Total Reimburse	18,791,484	2,872,939	7,753,705	8,319,427	626,473	872,425	510,534	120,000	39,867,087
5	Direct Sales	9,194,032	1,410,107	3,805,740	511,477	336,941	53,636	338,995	-	15,650,948
6	Total Transmission	27,925,676	4,283,006	11,559,445	8,830,904	1,023,414	926,061	849,929	120,000	55,518,035
7	Total Sales	27,931,258	4,283,862	11,559,445	8,830,904	1,023,414	926,061	851,594	120,000	55,526,538
8	Revenues - Credited	2,141,731	319,981	515,071	369,940	14,643	18,643	22,993	-	3,403,002
9	Total Cost of Service	\$30,072,989	\$4,603,843	\$12,074,516	\$ 9,200,844	\$1,038,057	\$944,704	\$874,587	\$120,000	\$58,929,540

Summary of Jurisdictional Deficiency

10	Interstate Sales for Reimburse			\$39,851,938
11	Debit Revenues under old Rates	30,366,602		
12	Less X-5	(714,660)		
13				\$39,851,938
14	Deficiency			\$20,200,000



Description	Total	Gas Supply	FUNCTION				Rate Case Expenses
			Gathering	Storage	Transmission	Distribution	
<b>Operating Revenue Deductions</b>							
Operating Expenses:							
Production and Gathering Expenses	\$ 618,699	\$ -	\$ 618,699	\$ -	\$ -	\$ -	\$ -
Purchased Gas Cost	31,244,937	31,244,937	-	-	-	-	-
Purchased Gas Expenses	343,724	343,724	-	-	-	-	-
Gas Withdrawn From Underground Storage-Cr.	2,108,930	2,108,930	-	-	-	-	-
Gas Delivered to Underground Storage-Cr.	(2,443,307)	(2,443,307)	-	-	-	-	-
Net Gas Delivered to Underground Storage	(340,377)						
Gas Used In Utility Operations-Cr.	(1,314,361)	(1,314,361)	-	-	-	-	-
Underground Storage Expenses	317,388	-	-	317,388	-	-	-
Transmission Expenses	5,244,428	-	-	-	5,244,428	-	-
Distribution Expenses	310,833	-	-	-	-	310,833	-
Customers Accounting and Collecting	188,204	-	-	-	-	188,204	-
Sales Promotion Expenses	81,364	-	-	-	81,364	-	-
Administrative and General Expenses	2,237,937	123,324	204,100	89,957	1,630,114	138,462	-
Rate Case Expenses	120,000	-	-	-	-	-	120,000
<b>Total Operating Expenses</b>	<b>39,046,876</b>	<b>30,099,247</b>	<b>822,799</b>	<b>403,465</b>	<b>6,995,906</b>	<b>629,499</b>	<b>120,000</b>
Depreciation Depletion and Amortization	4,972,309	-	991,535	822,833	3,636,387	61,414	-
Federal Income Taxes	5,031,553	3,609	999,599	307,063	3,491,092	34,230	-
State Income Taxes	80,419	38	15,912	8,204	57,798	347	-
Taxes Other Than Income	2,425,263	6,734	321,535	146,833	1,846,493	33,687	-
<b>Gross Operating Revenue Deductions</b>	<b>51,556,420</b>	<b>30,069,648</b>	<b>3,217,301</b>	<b>1,348,298</b>	<b>15,985,816</b>	<b>815,357</b>	<b>120,000</b>
Deduct:							
Miscellaneous Operating Revenues	70,081	-	12,403	1,875	22,709	1,714	-
<b>Net Operating Revenue Deductions</b>	<b>51,486,339</b>	<b>30,069,648</b>	<b>3,204,898</b>	<b>1,346,423</b>	<b>15,963,107</b>	<b>813,643</b>	<b>120,000</b>
Add:							
Return @ 6% of Rate Base	7,444,001	3,341	1,322,145	638,318	2,342,233	60,944	-
<b>Total Cost of Service</b>	<b>\$58,930,340</b>	<b>\$33,073,429</b>	<b>\$4,527,043</b>	<b>\$2,024,741</b>	<b>\$18,305,340</b>	<b>\$874,587</b>	<b>\$120,000</b>

Sheet No. C-9488

Appendix A  
Sheet 3 of 3

## CITY OF SERVICE GAS COMPANY

## Summary of Rate Base

## Cost of Service Year 1955 - Pro Forma

Description	Total	Gas Supply	FUNCTION				General	Intangible
			Gathering	Storage	Transmission	Distribution		
<b>Net Plant Investment: (Average of Balances at Beginning and End of Year 1955)</b>								
Gas Plant In Service	\$163,480,651	\$ -	\$26,370,957	\$ 9,862,286	\$21,932,232	\$1,609,675	\$3,429,116	\$276,305
Gas Plant Held For Future Use	53,754	-	53,754	-	-	-	-	-
<b>Sub-Total</b>	<b>163,534,405</b>	<b>-</b>	<b>\$26,424,751</b>	<b>9,862,286</b>	<b>121,932,232</b>	<b>1,609,675</b>	<b>3,429,116</b>	<b>276,385</b>
<b>Less:</b>								
Reserve for Depreciation, Depletion & Amortization								
Gas Plant In Service	43,333,434	-	3,646,582	1,023,469	37,159,558	528,446	932,967	62,412
Gas Plant Held For Future Use	35,009	-	35,009	-	-	-	-	-
Retirement Work In Progress	(801,871)	-	(30,752)	(18,613)	(713,203)	(5,686)	(32,914)	-
	<b>42,566,572</b>	<b>-</b>	<b>3,650,839</b>	<b>1,004,856</b>	<b>36,446,355</b>	<b>522,760</b>	<b>900,053</b>	<b>62,412</b>
<b>Net Utility Plant</b>	<b>120,967,873</b>	<b>-</b>	<b>22,773,915</b>	<b>8,857,430</b>	<b>85,486,577</b>	<b>1,086,915</b>	<b>2,529,063</b>	<b>213,973</b>
Distribution of General and Intangible								
Net Utility Plant - By Functions	120,967,873	-	452,875	169,245	2,093,211	27,705	(2,529,063)	(213,973)
Less Contributions In and Of Construction	426,534	-	43,131	165	180,731	204,507	-	-
<b>Net Plant Investment (Average)</b>	<b>\$120,541,339</b>	<b>\$ -</b>	<b>\$23,183,692</b>	<b>\$ 9,026,510</b>	<b>\$ 87,399,057</b>	<b>\$ 910,113</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Working Capital:</b>								
Cash Operating Expenses	\$ 1,005,367	\$58,022	\$ 93,094	\$ 47,541	\$ 721,082	\$ 85,688	\$ -	\$ -
Materials and Supplies	3,973,574	-	656,037	245,169	3,032,235	40,133	-	-
Prepayments	202,385	-	33,414	12,487	154,440	2,044	-	-
Gas In Underground Storage	1,636,531	-	-	1,636,531	-	-	-	-
<b>Gross Working Capital</b>	<b>6,817,857</b>	<b>58,022</b>	<b>728,545</b>	<b>1,941,728</b>	<b>3,907,697</b>	<b>127,865</b>	<b>-</b>	<b>-</b>
<b>Less:</b>								
6% of Federal Income Taxes Included in Cost of Service	(3,270,329)	(2,346)	(67,113)	(329,721)	(2,369,210)	(22,249)	-	-
<b>Net Working Capital</b>	<b>\$ 3,547,528</b>	<b>\$55,676</b>	<b>\$ 661,432</b>	<b>\$ 1,612,007</b>	<b>\$ 1,538,487</b>	<b>\$ 105,616</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Rate Base</b>	<b>\$124,088,867</b>	<b>\$55,676</b>	<b>\$23,845,124</b>	<b>\$10,638,517</b>	<b>\$ 89,057,544</b>	<b>\$1,015,729</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Return @ 6% As Shown in Cost of Service</b>	<b>\$ 7,444,001</b>	<b>\$ 3,341</b>	<b>\$ 1,322,145</b>	<b>\$ 638,318</b>	<b>\$ 2,342,233</b>	<b>\$ 60,944</b>	<b>\$ -</b>	<b>\$ -</b>

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Allocation of Cost of Service For Refund Purposes

Year 1955

Particulars (a)	Gas Supply (b)	Gathering (c)	Transmission		Storage		Customers Accounting Collecting (h)	Rate Case Expense (i)	Total Cost of Service (j)
			Commodity (d)	Demand (e)	Commodity (f)	Demand (g)			
<u>Field Sales</u>									
1 Direct Sales	\$ 5,641	\$ 840	\$ -	\$ -	\$ -	\$ -	\$ 2,065	\$ -	\$ 8,546
<u>Transmission</u>									
2 Interstate	18,927,772	2,819,315	7,605,480	8,142,461	677,385	859,722	498,008	121,795	39,651,938
3 Intrastate	5,584	832	2,244	4,334	200	458	1,347	-	14,999
4 Total Resale	18,933,356	2,820,147	7,607,724	8,146,795	677,585	860,180	499,355	121,795	39,666,937
5 Direct Sales	2,293,068	1,387,702	1,753,511	500,869	113,417	52,884	331,571	-	15,643,022
6 Total Transmission	26,226,424	4,207,849	11,351,235	8,647,664	1,011,002	913,064	830,926	121,795	55,309,959
7 Total Sales	26,232,065	4,208,689	11,351,235	8,647,664	1,011,002	913,064	832,991	121,795	55,318,505
8 Revenues - Credited	2,141,731	319,981	515,071	369,940	14,643	18,643	22,993	-	3,403,002
9 Total Cost of Service	\$30,373,796	\$4,528,670	\$11,866,306	\$9,017,604	\$1,025,645	\$931,707	\$ 855,984	\$121,795	\$58,721,507
<u>Summary of Jurisdictional Deficiency</u>									
10 Interstate Sales for Resale				39,651,938	Revenues under G-2410 Rates				\$43,239,551
11 Deduct Revenues under old Rates					Cost of Service				39,651,938
12 Less X-5			30,366,602		1955 Indicated Refund				\$ 1,597,611
13			(714,664)		Refund October 1954 Through April 1956				\$ 4,300,000
14 Deficiency				\$10,000,000					

Sheet No. G-2410

Appendix B  
Sheet 2 of 3

CITIZEN SERVICE GAS COMPANY

Cost of Service

For The 12 Months Ended December 31, 1955

Description	Total	Gas Supply	FUNCTION				Rate Case Expense
			Gathering	Storage	Transmission	Distribution	
<u>Operating Revenue Deductions</u>							
Operating Expenses:							
Production and Gathering Expenses	\$ 610,884	\$ -	\$ 610,884	\$ -	\$ -	\$ -	\$ -
Purchased Gas Cost	31,567,642	31,567,642	-	-	-	-	-
Purchased Gas Expenses	336,846	336,846	-	-	-	-	-
Gas Withdrawn From Underground Storage-Dr.	2,153,009	2,153,009	-	-	-	-	-
Gas Delivered to Underground Storage - Cr. (2,305,184)	( 2,305,184 )	( 2,305,184 )	-	-	-	-	-
Net Gas Delivered to Underground Storage	( 152,175 )						
Gas Used In Utility Operations-Cr.	( 1,314,361 )	( 1,314,361 )	-	-	-	-	-
Underground Storage Expenses	314,139	-	-	314,139	-	-	-
Transmission Expenses	5,179,818	-	-	-	5,179,818	-	-
Distribution Expenses	306,403	-	-	-	-	306,403	-
Customers Accounting and Collecting	179,358	-	-	-	-	179,358	-
Sales Promotion Expenses	81,083	-	-	-	81,083	-	-
Administrative and General Expenses	2,150,301	180,417	196,107	88,572	1,566,879	184,986	-
Rate Case Expense	180,000	-	-	-	-	-	180,000
Total Operating Expenses	39,181,938	30,360,489	806,931	396,711	6,887,180	670,681	180,000
Depreciation, Depletion and Amortization	4,978,309	-	991,335	888,833	3,636,387	61,414	-
Federal Income Taxes	4,707,087	3,513	940,488	448,307	3,846,885	30,918	988
State Income Taxes	75,233	54	15,091	7,609	51,638	494	15
Taxes Other Than Income Taxes	2,445,853	6,329	371,780	146,510	1,846,602	33,413	-
Gross Operating Revenue Deductions	51,361,884	30,370,347	3,145,739	1,388,266	15,605,113	796,988	180,937
Deduct:							
Miscellaneous Operating Revenues	70,883	-	12,622	1,021	38,702	1,714	-
Net Operating Revenue Deductions	51,290,943	30,370,347	3,133,136	1,318,711	15,598,404	795,288	180,937
Add:							
Return @ 6% of Net Base	7,430,564	1,262	1,372,334	628,641	1,334,306	60,776	828
Total Cost of Service	\$58,721,507	\$30,371,796	\$4,505,670	\$1,977,352	\$18,000,310	\$855,984	\$121,795

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[fol. 574]

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## CITY SERVICE GAS COMPANY

Summary of Rate BaseCost of ServiceFor The 12 Months Ended December 31, 1955

Description	Total	Gas Supply	FUNCTION				Rate Case Expense
			Gathering	Storage	Transmission	Distribution	
Net Plant Investment - Average (See Detail Set Forth in Summary of Rate Base in Docket No. G-2468, Appendix A)	2120,519,330	\$ -	\$23,183,699	\$ 9,026,510	\$27,399,057	\$ 910,113	-
Working Capital							
Cash Operating Expenses	998,378	\$6,799	91,115	46,697	704,932	83,835	15,000
Materials and Supplies	3,973,574	-	656,037	245,170	3,032,234	40,133	-
Prepayments	202,335	-	33,414	12,487	154,440	2,044	-
Gas In Underground Storage	1,679,381	-	-	1,679,381	-	-	-
Gross Working Capital	6,853,718	\$6,799	780,556	1,983,735	3,891,606	126,012	15,000
Less:							
75% of Federal Income Taxes Included in Cost of Service	( 3,530,315 )	( 2,635 )	( 705,145 )	( 356,230 )	( 2,432,224 )	( 23,188 )	( 692 )
Net Working Capital	\$ 3,323,403	\$ 54,164	\$ 75,220	\$ 1,627,505	\$ 1,459,382	\$ 102,824	\$14,308
Total Rate Base	\$123,842,742	\$ 54,164	\$23,258,872	\$10,644,015	\$28,858,439	\$ 1,012,937	\$14,308
Return @ 6% As Shown in Cost of Service	\$ 7,430,564	\$ 3,250	\$ 1,393,534	\$ 638,641	\$ 1,711,306	\$ 60,776	\$ 858

Docket No. G-2410

Appendix C  
Sheet 2 of 2

## CITIES SERVICE GAS COMPANY

Refund Unit Calculations

<u>Rate Schedule</u>	<u>Volumes - Mcf @ 14.65 Psia</u>	<u>Refund Amount</u>	<u>Refund Per Mcf ¢</u>
Total All Schedules	327,117,818	\$6,300,000	
I-1	5,345,493		
I-2	<u>71,274,981</u>		
Sub Total	<u>76,620,474</u>	<u>599,938</u>	0.7830
Balance	250,497,344	\$5,700,062	-
P-Billing Demands	( 529,361)	185,276	35.00
1st Block	15,489,857	77,449	0.50
Excess	<u>322,708</u>	-	-
Sub Total	<u>15,812,565</u>	<u>262,725</u>	-
Balance	234,684,779	\$5,437,337	-
E	89,542	-	-
X-5	9,481,145	-	-
Sub Total	<u>9,570,687</u>	-	-
Balance	225,114,092	\$5,437,337	2.4153

## CITIES SERVICE GAS COMPANY

Distribution of Refund by CustomersRefund Period - Sept. 23, 1954 to April 22, 1956

<u>Customer</u>	<u>Volumes @ 14.65 Paise</u>	<u>Amount of Refund</u>
Gas Service Company	255,131,413	\$5,029,121
Altamouht, Kan., City of	64,429	1,556
American Gas Co.	2,275,698	36,282
Iola, Kan., City of	505,136	12,201
Baxter Springs Gas Co.	613,043	14,807
Central West Utilities Co.	738,357	17,834
Garnet, Kan., City of	419,681	10,137
Howard, Kan., City of	156,682	3,663
Osage, Kan., City of	257,863	6,228
Sylvia, Kan., City of	85,964	2,076
Commercial Gas Pl. Co.	409,911	9,901
Gault, Ross	51,375	1,241
Hauks Pipeline Co.	222,387	5,371
Kansas Pwr. & Lt. Co.	8,844,810	193,025
Kansas Pub. Serv. Co.	4,550,445	99,087
Abbyville, Kan., City of	1,788	43
Eastern Kansas Gas	62,021	1,184
Missouri Pub. Serv. Co.	8,428,623	183,203
Severy Gas Co.	106,736	2,578
S. E. Kansas Gas Co.	178,564	4,313
Union Gas System, Inc.	14,913,544	268,451
United Gas Serv. Co.	807,536	19,453
Walnut Gas & Elec. Co.	144,495	3,490
Wellington Gas Co., The	1,869,727	32,984
Western Lt. & Tel. Co.	1,220,519	26,431
Citizens Gas Co.	147,170	3,555
Carl Junction Gas Co.	112,313	2,713
Springfield, Mo., City of	9,457,447	197,316
Aker Oil & Gas Co.	32,207	778
Baltic Operating Co.	220,292	5,321
Billings Gas Co.	21,615	522
Cleveland, Kan., City of	278,369	6,723
Wann, Okla., City of	26,567	642
Consol. Gas Util. Corp.	3,196,884	57,260
Georgia Oil & Gas Co.	70,003	1,691
Home Owners Coop. Gas	14,563	352
Mulhall Gas Co.	27,056	653
Pact Gas Co.	299,801	7,241
Peoples Gas Co.	6,931	167

Docket No. G-2410

Appendix D  
Page 2 of 2

<u>Customer</u>	<u>Volume</u> <u>@ 14.65 Paia</u>	<u>Amount</u> <u>of Refund</u>
Rugh, W. E.	25,135	607
Ruth Fuel Co.	95,225	2,350
Vinita Fuel Co.	993,560	23,997
Wakita, Okla., City of	69,031	1,667
Miami Gas Co.	69,536	1,680
<b>Total</b>	<b>317,224,452</b>	<b>\$6,299,845</b>

## CITY OF KANSAS GAS COMPANY

## Jurisdictional Sales for Year 1955 Computed by Application of:

1. Pre - G-2410 Rates; 2. G-2410 Rates; 3. Settlement Rates.

Customer	Volume @ 14.65 cents	Revenues of			Annual Increase Over Old Rates	Annual Reduct. Below Suspended Rates
		Pre-G-2410 Rates	G-2410 Rates	Settlement Rates		
Gas Service Company	146,713,073	\$24,038,378	\$34,620,430	\$31,917,384	\$ 7,878,946	\$ 2,703,106
Altamont, Kan., City of	37,284	7,220	10,129	9,257	2,037	872
American Gas Co.	1,316,216	198,083	286,915	265,529	66,646	21,386
Iola, Kansas, City of	208,700	42,125	58,271	53,302	11,177	4,969
Baxter Springs Gas Co.	330,954	62,349	91,511	83,681	21,332	7,830
Central West Utilities Co.	400,608	80,330	113,175	103,566	23,236	9,609
Garnett, Kansas, City of	225,504	45,859	63,377	57,906	12,127	5,391
Howard, Kansas, City of	88,244	18,140	23,743	21,749	3,609	1,994
Osage, Kansas, City of	137,390	29,316	40,363	36,982	7,666	3,381
Sylvia, Kansas, City of	48,105	8,033	11,552	10,702	2,669	890
Commercial Gas Pl. Co.	231,425	41,859	58,425	53,256	11,397	5,169
Gault, Ross	28,154	5,298	7,369	6,729	1,427	644
Bauche Pipeline Co.	120,368	24,530	33,900	31,017	6,487	2,883
Kansas P. & L. Co.	4,925,658	908,225	1,285,705	1,177,839	269,614	107,866
Kansas P. S. Co.	2,619,413	434,584	630,790	582,159	147,575	48,631
Eastern Kansas Gas Co.	62,021	8,297	12,064	11,026	2,729	1,038
Missouri Public Service	4,735,497	869,085	1,221,992	1,121,516	292,451	100,476
Savery Gas Co.	59,888	10,584	14,804	13,484	2,900	1,320
S.E. Kansas Gas Co.	93,999	17,987	24,984	22,815	4,828	2,169
Union Gas System	9,340,472	1,005,199	1,973,775	1,770,813	769,714	202,862
United Gas Service Co.	434,118	79,454	112,417	103,625	24,171	8,792
Walnut Gas & Elec. Co.	75,197	15,210	21,029	19,237	4,087	1,792
Wellington Gas Co.	1,097,838	145,986	218,581	203,062	57,076	15,519
Western Lt. & Tel. Co.	686,747	119,832	170,153	156,595	36,763	13,558
Citizens Gas Co.	77,529	12,585	17,862	16,446	3,861	1,416
Carl Junction Gas Co.	59,285	12,179	16,819	15,393	3,214	1,426
Springfield, Mo., City of	5,293,596	931,143	1,317,161	1,209,998	278,895	107,163
Aker Oil and Gas Co.	18,714	2,932	4,216	3,906	974	310
Baltic Operating Co.	119,387	21,153	29,281	27,046	5,893	2,235
Billings Gas Co.	10,171	1,431	2,099	1,908	477	151
Cleveland, Okla., City of	155,804	24,233	35,256	32,664	8,431	2,592
Mann, Okla., City of	14,213	2,583	3,604	3,286	703	318
Consolidated Gas Util. Corp.	2,167,149	252,457	459,071	434,516	122,059	24,555
Drumright Gas Co.	64,156	19,073	29,020	25,812	6,739	3,208
Georgia Oil & Gas Co.	37,203	6,035	8,680	8,042	2,007	638

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Dockets Nos. G-2410 and G-9468

Appendix B  
Page 2 of 2

Customer	Volume \$ 14.65 per cu ft	Revenue of		Settlement Rates	Annual Increase Over Old Rates	Annual Reduct. Below Suspend. Rates
		Pre-G-2410 Rates	G-2410 Rates			
Home Owners Coop Gas	7,599	\$ 1,186	\$ 1,705	\$ 1,580	\$ 394	\$ 125
Mulhall Gas Co.	14,635	2,488	3,578	3,315	827	263
Pact Gas Co.	170,781	27,383	39,386	36,489	9,106	2,897
Peoples Gas Co.	4,000	632	910	843	211	67
Rugh, W. E.	13,465	1,993	2,867	2,656	663	211
Ruth Fuel Company	51,021	10,032	14,288	13,071	3,039	1,217
Okl. Public Service Corp.	4,049	1,244	1,828	1,635	391	193
State Fuel Supply Co.	1,412	616	835	785	149	70
Zenith Gas System	---	300	300	300	---	---
Vinita Fuel Co.	542,081	91,659	133,327	123,032	31,373	10,295
Wakita, Okla., Town of	36,683	5,753	8,276	7,667	1,914	609
Miami Gas Co.	38,843	6,098	8,772	8,127	2,029	645
Northern Oklahoma Gas	-15	5	7	6	1	1
<b>Total</b>	<b>182,909,104</b>	<b>\$29,651,936</b>	<b>\$43,244,562</b>	<b>\$39,811,850</b>	<b>\$10,159,914</b>	<b>\$3,432,712</b>
<b>Consolid. Gas Util. (Sched. X-5)</b>	<b>5,265,068</b>	<b>714,664</b>	<b>714,664</b>	<b>762,752</b>	<b>48,088</b>	
<b>Total</b>		<b>\$30,366,600</b>	<b>\$43,959,226</b>	<b>\$40,574,602</b>	<b>\$10,208,002</b>	

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EXHIBIT 5 TO MOTION BY PLAINTIFF  
FOR SUMMARY JUDGMENT

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

CERTIFICATION

I hereby certify that the attached one page is a true copy of a Notice dated February 19, 1954, from Stanolind Oil and Gas Company, designated ERWIN L. COX, FPC Gas RATE SCHEDULE No. 2, SUPPLEMENT No. 1, filed February 24, 1955 on file with this Commission.

This 16th day of February, 1959.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

/s/ J. H. GUTRIDE

Secretary

[Seal]

[fol. 583]

FPC Gas Rate

Schedule No. 2

Supplement No. 1

Filing Date: 2-29-55

Effective Date: Accepted

Received

Feb 24 3 06 PM '55

Federal Power Commission

[Handwritten notation—Edwin L. Cox]

**STANOLIND OIL AND GAS COMPANY**FIRST NATIONAL BUILDING  
OKLAHOMA CITY, OKLAHOMA

February 19, 1954

**NOTICE**

To all persons receiving gas  
settlements for Kansas Hugoton  
production from or through  
Stanolind Oil and Gas Company

Re: Kansas Corporation Commission  
Order dated December 2, 1953,  
Docket No. 44079-C (C-3216)  
Kansas Hugoton Gas Field.

Settlements for Kansas Hugoton gas are being made to Stanolind Oil and Gas Company by gas purchasers on the basis of the minimum price order of the Kansas Corporation Commission, dated December 2, 1953, entered in Docket No. 44079-C (C-3216) upon the condition, however, that in the event said Order is held invalid, a refund be made to the purchaser of any amount so paid in excess of that payable in the absence of said Order.

Effective January 1, 1954, and subject to the terms hereof, Stanolind Oil and Gas Company will make settlements for gas produced in the Kansas Hugoton Field on the basis of the settlements made to it by gas purchasers and in compliance with said Order (providing that there should be paid therefor or attributed at the wellhead a minimum

price of not less than 11¢ per MCF measured at 14.65 pounds p.s.i.a.). Judicial review of said Order is pending in the courts, and in the event said Order is declared to be invalid in whole or in part, the settlements paid on the basis thereof will exceed the amount actually due and owing. Therefore, your acceptance of checks computed on the basis of said Order will constitute your agreement to refund amounts paid you over and above the amounts to which you would have been entitled in the event the Order is held invalid or inapplicable to gas in respect to which the settlement is made.

Yours very truly,

/s/ GEO. W. CLARKE  
Geo. W. Clarke

[fol. 584]

EXHIBITS 6 AND 6A TO MOTION BY PLAINTIFF  
FOR SUMMARY JUDGMENT

UNITED STATES OF AMERICA

FEDERAL POWER COMMISSION

CERTIFICATION

I hereby certify that the attached ten (10) pages are true copies of the following items:

1. Letter from Law Offices of Dow, Lohnes and Albertson to Federal Power Commission, dated November 16, 1954
2. Letter from Stanolind Oil and Gas Company to Federal Power Commission, dated November 15, 1954 received November 16, 1954
3. Letter of Transmittal from Stanolind Oil and Gas Co. to Federal Power Commission, dated November 15, 1954 received November 16, 1954 on file with this Commission.

This 4th day of December, 1958.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

/s/ J. H. GUTRIDE

Secretary

[Seal]

[fol. 585]

Received

Nov 16 4 53 AM '54

Federal Power Commission

[Letterhead of Dow, Lohnes and Albertson—Washington 4, D. C.]

November 16, 1954

Honorable Leon M. Fuquay,  
Secretary

Federal Power Commission  
Washington 25, D. C.

100-2 GAS COR.

Dear Mr. Fuquay:

On behalf of Stanolind Oil and Gas Company, we hand you herewith for filing the following:

1. Original and fourteen copies of Application for Certificate of Public Convenience and Necessity au-

thorizing sale in interstate commerce for resale of natural gas produced from certain portions of the Hugoton field of Kearny, Finney, Grant, Haskell, Morton, Stevens, Seward, Stanton, and Hamilton Counties, Kansas, the same being made pursuant to Stanolind Contract No. 18,196.

2. Original and one copy of letter of transmittal dated November 15, 1954, and signed by John F. Jones, Esquire, covering initial rates applicable under said contract.

It is respectfully requested that this material be filed forthwith, and that we be advised of the docket number assigned thereto.

Yours very truly,

/s/ RICHARD B. McENTIRE

encls

[fol: 586]

Received

Nov 16 4 55 AM '54  
Federal Power Commission

November 15, 1954

Re: Rate Schedule of Stanolind Oil and Gas Company for sale of natural gas as an Independent Producer under section 4 of the Natural Gas Act in accordance with Federal Power Commission Order No. 174-A, issued August 6, 1954 (Stanolind No. 18,196)

Secretary,  
Federal Power Commission,  
Washington 25, D. C.

Dear Sir:

The attached Letter of Transmittal constitutes the filing by Stanolind Oil and Gas Company of the initial rates set

forth in the gas sales contract appended thereto. In connection therewith Stanolind Oil and Gas Company hereby asserts its right to file said contract as its initial rate schedule unimpaired by those provisions of said order which purport to nullify the tax reimbursement, escalation, favored nations and other similar clauses of said contract.

In this connection it is respectfully submitted that, in the opinion of Stanolind Oil and Gas Company, Order 174-A is invalid in the respects referred to above and that, to whatever extent the Federal Power Commission may have jurisdiction over said sale of natural gas, the rates and charges in effect with respect to said sale are the rates and charges set forth in said contract in its entirety. The filing of said contract pursuant to the provisions of Order 174-A and compliance by Stanolind in the meantime with the provisions of said order shall not be deemed to constitute a waiver on Stanolind's part to assert its right to file initial rates of its own choosing.

Very truly yours,

/s/ JOHN F. JONES

John F. Jones,

Attorney for

Stanolind Oil and Gas Company



[fol. 587]

FORM NGA-10 (Hugoton)

Rate Schedule, Effective on 6/7/54

Received

Nov 16 4 55 AM '54

Federal Power Commission

Nov 15 1954

## Letter of Transmittal

Rate Schedule of STANOLIND OIL )  
 AND GAS COMPANY for Sale of Nat- )  
 ural Gas as an Independent Pro- ) Docket No. G-.....  
 ducer under Section 4 the Natural )  
 Gas Act, in accordance with Fed- )  
 eral Power Commission Order No. )  
 174-A, issued August 6, 1954 (Stan- )  
 olind No. 18,196).

Secretary,  
 Federal Power Commission  
 Washington 25, D. C.

Dear Sir:

1. Pursuant to the requirements of Part 154 of Subchapter E, Regulations under the Natural Gas Act, Chapter I of Title 18, Code of Federal Regulations, as amended by Federal Power Commission Order No. 174-A, issued August 6, 1954, under Docket No. R-138, and particularly pursuant to Section 154.92 (a) of said Regulations, the undersigned, Stanolind Oil and Gas Company, as an independent producer, transmits herewith for filing a rate schedule covering a sale of natural gas to the purchaser(s) listed below, engaged in on and since June 7, 1954, and consisting of the following attachments hereto, in duplicate:

- (a) Basic contract dated June 23, 1950 (Exhibit "A")
- (b) The following amendments and supplements to said basic contract:

- Letter of Agreement dated July 28, 1950 (Exhibit "A-1")

Letter of Agreement dated July 28, 1950 (Exhibit "A-2")

Letter of Agreement dated August 8, 1950. (Exhibit "A-3")

[fol. 588]. Agreement to Sub. Dedicated Reserves dated October 3, 1950 (Exhibit "A-4")

Agreement to Sub. Dedicated Reserves dated October 3, 1950 (Exhibit "A-5")

Agreement to Sub. Dedicated Reserves dated October 11, 1950 (Exhibit "A-6")

Agreement to Sub. Dedicated Reserves dated October 16, 1950 (Exhibit "A-7")

Agreement to Sub. Dedicated Reserves dated November 22, 1950 (Exhibit "A-8")

Letter dated November 29, 1950 (Exhibit "A-9")

Agreement to Sub. Dedicated Reserves dated December 13, 1950 (Exhibit "A-10")

Agreement to Sub. Dedicated Reserves dated February 5, 1951 (Exhibit "A-11")

Agreement to Sub. Dedicated Reserves dated February 23, 1951 (Exhibit "A-12")

Letter dated May 18, 1951. (Exhibit "A-13")

Agreement to Sub. Dedicated Reserves dated May 31, 1951 (Exhibit "A-14")

Agreement to Sub. Dedicated Reserves dated June 25, 1951 (Exhibit "A-15")

Agreement to Sub. Dedicated Reserves dated July 2, 1951 (Exhibit "A-16")

Letter dated July 25, 1951 (Exhibit "A-17")

Letter dated July 25, 1951 (Exhibit "A-18")

Letter dated August 29, 1951 (Exhibit "A-19")

Letter dated August 31, 1951 (Exhibit "A-20")

Agreement to Sub. Dedicated Reserves dated October 16, 1951 (Exhibit "A-21")

Agreement to Sub. Dedicated Reserves dated October 25, 1951 (Exhibit "A-22")

[fol. 589] Agreement dated February 19, 1952 (Exhibit "A-23")

Agreement to Sub. Dedicated Reserves dated April 11, 1952 (Exhibit "A-24")

Agreement to Sub. Dedicated Reserves dated May 6, 1952 (Exhibit "A-25")

Agreement to Sub. Dedicated Reserves dated June 27, 1952 (Exhibit "A-26")

Agreement to Sub. Dedicated Reserves dated July 17, 1952 (Exhibit "A-27")

Agreement to Sub. Dedicated Reserves dated July 25, 1952 (Exhibit "A-28")

Agreement to Sub. Dedicated Reserves dated November 12, 1952 (Exhibit "A-29")

Release from Dedication dated March 16, 1953 (Exhibit "A-30")

Agreement to Substitute dated May 25, 1953 (Exhibit "A-31")

Agreement to Substitute dated May 28, 1953 (Exhibit "A-32")

Release dated June 8, 1953 (Exhibit "A-33")

Letter dated June 8, 1953 (Exhibit "A-34")

Letter dated June 9, 1953 (Exhibit "A-35")

Letter dated June 9, 1953 (Exhibit "A-36")

Agreement to Substitute dated June 19, 1953 (Exhibit "A-37")

Letter dated June 26, 1953 (Exhibit "A-38")

Letter dated June 26, 1953 (Exhibit "A-39")

Agreement to Substitute dated July 7, 1953 (Exhibit "A-40")

Letter dated July 7, 1953 (Exhibit "A-41")

Assignment dated July 8, 1953 (Exhibit "A-42")

Release dated July 14, 1953 (Exhibit "A-43")

[fol. 590] Letter dated July 17, 1953 (Exhibit "A-44")

Letter dated July 27, 1953 (Exhibit "A-45")

Letter dated August 7, 1953 (Exhibit "A-46")

Release dated September 9, 1953 (Exhibit "A-47")

Letter dated November 4, 1953 (Exhibit "A-48")

Agreement to Substitute dated October 27, 1953 (Exhibit "A-49")

Agreement to Substitute dated November 19, 1953 (Exhibit "A-50")

Release dated November 30, 1953 (Exhibit "A-51")

Letter dated December 9, 1953 (Exhibit "A-52")

Letter dated January 8, 1954 (Exhibit "A-53")

Letter dated January 20, 1954 (Exhibit "A-54")

Letter dated February 8, 1954 (Exhibit "A-55")

Agreement to Substitute dated February 15, 1954 (Exhibit "A-56")

Letter dated March 4, 1954 (Exhibit "A-57")

Letter dated March 12, 1954 (Exhibit "A-58")

Letter dated April 2, 1954 (Exhibit "A-59")

Letter dated April 27, 1954 (Exhibit "A-60")

Letter dated May 14, 1954 (Exhibit "A-61")

Letter dated May 19, 1954 (Exhibit "A-62")

Letter dated May 19, 1954 (Exhibit "A-63")

Letter dated June 7, 1954 (Exhibit "A-64")  
Letter dated June 25, 1954 (Exhibit "A-65")  
Letter dated June 25, 1954 (Exhibit "A-66")  
Letter dated June 25, 1954 (Exhibit "A-67")  
Letter dated July 7, 1954 (Exhibit "A-68")  
[fol. 591] Letter dated July 9, 1954 (Exhibit "A-69")  
Letter dated July 9, 1954 (Exhibit "A-70")  
Letter dated July 22, 1954 (Exhibit "A-71")  
Letter dated August 3, 1954 (Exhibit "A-72")  
Letter dated August 4, 1954 (Exhibit "A-73")  
Letter dated August 13, 1954 (Exhibit "A-74")  
Letter dated August 19, 1954 (Exhibit "A-75")  
Letter dated August 25, 1954 (Exhibit "A-76")

2. The basic contract and the above-listed supplements and agreements amendatory thereof were effective and applicable on and after June 7, 1954, and show the service to be provided and the rates and charges, terms, conditions, classifications, practices, rules and regulations affecting or relating to such rates or charges, applicable to said sale of natural gas. The rates covered by this filing shall remain in full force and effect until changed as provided by law, or until said basic contract terminates or is validly cancelled whichever occurs first.

3. Attached hereto (Exhibit "B") is a statement in duplicate showing actual billing for a recent month in sufficient detail to show how the billing amount is determined.

4. That on December 2, 1953, but effective as of January 1, 1954, the State Corporation Commission of the State of Kansas issued an order in Docket No. 44,079-C (C-3216) prohibiting Applicant from producing the natural gas covered by said gas sales contract unless Applicant obtained

from the sale thereof a wellhead price of not less than 11¢ per mcf measured at a pressure base of 14.65 psia. A true [fol. 592] and correct copy of said order is attached hereto as Exhibit "C" and made by reference a part hereof. It has been judicially determined by final judgments of a court of competent jurisdiction that the fixing by said state Commission of minimum wellhead prices is a valid exercise of the authority delegated to it to regulate the production of gas for the purpose of preventing waste, and said gas sales contract is, therefore, subject to said order and has been, in effect, amended thereby. The buyer under said gas sales contract was on June 7, 1954, paying Applicant the minimum wellhead price prescribed by said order, and, if this Commission should prescribe for the gas covered by said gas sales contract a wellhead price lower than that currently in effect under the applicable orders of said state Commission, Applicant will thereafter be prohibited by law from producing the gas covered by said gas sales contract.

5. The name and address of the purchaser under the attached rate schedule are:

Cities Service Gas Company  
First National Bank Building  
Oklahoma City 1, Oklahoma

6. This filing has no applicability to the rates and charges covered hereby to the extent that such rates and charges relate to sales of natural gas in intrastate commerce.

7. This initial rate filing not only relates to Stanolind Oil and Gas Company's interest in the gas covered by said gas sales contract, but said initial rates are also being filed for the benefit and in behalf of all nonoperators whose respective shares of the gas produced from jointly-owned [fol. 593] properties operated by Stanolind have been sold under said contract by Stanolind, as their agent, because of their failure to dispose of the same, to the extent that such nonoperators elect in writing to concur herein or to adopt this initial rate filing as their own.

8. This filing is being made under the compulsion of Order No. 174-A, which was issued without notice and a hearing. The undersigned believes that said order is subject to certain procedural defects and that, in some respects, it exceeds the authority delegated to the Commission by the Natural Gas Act and is, therefore, to that extent invalid. In addition, it is impossible, in some instances, for the undersigned to determine with certainty whether said order applies to it. The undersigned does not desire to incur the penalties which would be imposed upon it for violating those portions of the order which are of questionable meaning or of doubtful validity, especially in the event the order is ultimately determined to be definite or valid in those respects. Therefore, this filing is made under protest without prejudice to the undersigned's right to attack the validity of said order by pending or future proceedings before the Commission or in the courts, and nothing herein shall be deemed to constitute a waiver of said right. If it should be judicially determined that said order is invalid as to others in respects which are applicable to the undersigned, then the fact that the undersigned has, in the meantime, complied with said order [fol. 593a] shall not deprive it of its right thereafter to rely upon such determination.

Respectfully submitted,

STANOLIND OIL AND GAS COMPANY

By /s/ JOHN F. JONES

John F. Jones

Attorney

511 South Boston Avenue  
Tulsa 3, Oklahoma

Attachments:

Exhibit "A", Basic contract

Exhibits "A-1" to "A-76",

supplements and amendments

Exhibit "B", Statement

Exhibit "C", Copy of Order



600

[fol. 594]

EXHIBIT 7 TO MOTION BY PLAINTIFF  
FOR SUMMARY JUDGMENT

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

CERTIFICATION

I hereby certify that the attached six (6) pages are true copies of a letter from Federal Power Commission to Stanolind Oil & Gas Company dated March 2, 1955 on file with this Commission.

This 4th day of December, 1958.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

/s/ J. H. GUTRIDE

Secretary

[Seal]

[fol: 595]

*Files 1*ADDRESS ALL COMMUNICATIONS  
TO THE SECRETARYFEDERAL POWER COMMISSION  
WASHINGTON 25

Mar 2 1955

100-2 Gas Cor.

Stanolind Oil & Gas Co.  
511 South Boston Avenue  
Tulsa 3, Oklahoma

Gentlemen:

This is to advise you that the rate filings listed at the bottom of this letter have been accepted for filing.

In the event that any of the documents comprising the listed rate schedules contain provisions for future automatic adjustments in rates and charges based upon new or increased taxes, prices paid for gas by or to others, price re-determination provisions, or any similar provision, your attention is directed to the fact that such provisions, when invoked to change the rates being charged June 7, 1954, will constitute a change in such rates and charges within the meaning of Section 4(d) of the Natural Gas Act and Section 154.94 of the Commission's Regulations under such

*B*  
Act as promulgated by this Commission's Order No. 174-A. The Act and the Commission's rules require that such <sup>90</sup> changes be filed with the Commission not more than ~~60~~ days nor less than 30 days prior to the proposed effective date thereof.

This acceptance for filing shall not be construed as a waiver of the requirements of Section 7 of the Natural Gas Act, as amended; nor shall it be construed as constituting approval of any rate, charge, classification, or any rule, regulation or practice affecting such rate or service contained in the rate filing; nor shall such acceptance be deemed as recognition of any claimed contractual right or obligation associated therewith; and such acceptance is without prejudice to any findings or orders which have been or may

Italics indicate handwritten material.

hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against your company.

Very truly yours,

LEON M. FUQUAY

Secretary

Rates

JM:bls

2/9/55

EMN

2/25/55

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
<b>Stanolind Oil &amp; Gas Co.</b>		
Contract dated 6/23/50	11/15/54	F.P.C. Gas Rate Schedule No. 84
Letter dated 7/28/50	11/15/54	Supplement No. 1 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/28/50	11/15/54	Supplement No. 2 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/8/50	11/15/54	Supplement No. 3 to F.P.C. Gas Rate Schedule No. 84
[fol. 596] Supp. Agree. dated 10/3/50	11/15/54	Supplement No. 4 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 10/3/50	11/15/54	Supplement No. 5 to F.P.C. Gas Rate Schedule No. 84
Letter dated 10/11/50	11/15/54	Supplement No. 6 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 10/16/50	11/15/54	Supplement No. 7 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 11/22/50	11/15/54	Supplement No. 8 to F.P.C. Gas Rate Schedule No. 84
Letter dated 11/29/50	11/15/54	Supplement No. 9 to F.P.C. Gas Rate Schedule No. 84

Italics indicate handwritten material.

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
Supp. Agree. dated 12/13/50	11/15/54	Supplement No. 10 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 2/5/51	11/15/54	Supplement No. 11 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 2/23/51	11/15/54	Supplement No. 12 to F.P.C. Gas Rate Schedule No. 84
Letter dated 5/18/51	11/15/54	Supplement No. 13 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 5/31/51	11/15/54	Supplement No. 14 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 6/25/51	11/15/54	Supplement No. 15 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 7/2/51	11/15/54	Supplement No. 16 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/25/51	11/15/54	Supplement No. 17 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/25/51	11/15/54	Supplement No. 18 to F.P.C. Gas Rate Schedule No. 84
[fol. 597] Letter dated 8/29/51	11/15/54	Supplement No. 19 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/31/51	11/15/54	Supplement No. 20 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 10/16/51	11/15/54	Supplement No. 21 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 10/25/51	11/15/54	Supplement No. 22 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 2/19/52	11/15/54	Supplement No. 23 to F.P.C. Gas Rate Schedule No. 84

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
Supp. Agree. dated 4/11/52	11/15/54	Supplement No. 24 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 5/6/52	11/15/54	Supplement No. 25 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 6/27/52	11/15/54	Supplement No. 26 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 7/17/52	11/15/54	Supplement No. 27 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 7/25/52	11/15/54	Supplement No. 28 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 11/12/52	11/15/54	Supplement No. 29 to F.P.C. Gas Rate Schedule No. 84
Release dated 3/16/53	11/15/54	Supplement No. 30 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 5/25/53	11/15/54	Supplement No. 31 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 5/28/53	11/15/54	Supplement No. 32 to F.P.C. Gas Rate Schedule No. 84
Release dated 6/8/53	11/15/54	Supplement No. 33 to F.P.C. Gas Rate Schedule No. 84
[fol. 598] Letter dated 6/8/53	11/15/54	Supplement No. 34 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/9/53	11/15/54	Supplement No. 35 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/9/53	11/15/54	Supplement No. 36 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. 6/19/53	11/15/54	Supplement No. 37 to F.P.C. Gas Rate Schedule No. 84

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
Letter dated 6/26/53	11/15/54	Supplement No. 38 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/26/53	11/15/54	Supplement No. 39 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 7/7/53	11/15/54	Supplement No. 40 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/7/53	11/15/54	Supplement No. 41 to F.P.C. Gas Rate Schedule No. 84
Assignment dated 7/8/53	11/15/54	Supplement No. 42 to F.P.C. Gas Rate Schedule No. 84
Release dated 7/14/53	11/15/54	Supplement No. 43 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/17/53	11/15/54	Supplement No. 44 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/27/53	11/15/54	Supplement No. 45 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/7/53	11/15/54	Supplement No. 46 to F.P.C. Gas Rate Schedule No. 84
Release dated 9/9/53	11/15/54	Supplement No. 47 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 10/27/53	11/15/54	Supplement No. 48 to F.P.C. Gas Rate Schedule No. 84
Letter dated 11/4/53	11/15/54	Supplement No. 49 to F.P.C. Gas Rate Schedule No. 84
[fol. 599]		
Supp. Agree. dated 11/19/53	11/15/54	Supplement No. 50 to F.P.C. Gas Rate Schedule No. 84
Release dated 11/30/53	11/15/54	Supplement No. 51 to F.P.C. Gas Rate Schedule No. 84
Letter dated 12/9/53	11/15/54	Supplement No. 52 to F.P.C. Gas Rate Schedule No. 84

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
Letter dated 1/8/54	11/15/54	Supplement No. 53 to F.P.C. Gas Rate Schedule No. 84
Letter dated 1/20/54	11/15/54	Supplement No. 54 to F.P.C. Gas Rate Schedule No. 84
Letter dated 2/8/54	11/15/54	Supplement No. 55 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 2/15/54	11/15/54	Supplement No. 56 to F.P.C. Gas Rate Schedule No. 84
Letter dated 3/4/54	11/15/54	Supplement No. 57 to F.P.C. Gas Rate Schedule No. 84
Letter dated 3/12/54	11/15/54	Supplement No. 58 to F.P.C. Gas Rate Schedule No. 84
Letter dated 4/2/54	11/15/54	Supplement No. 59 to F.P.C. Gas Rate Schedule No. 84
Letter dated 4/27/54	11/15/54	Supplement No. 60 to F.P.C. Gas Rate Schedule No. 84
Letter dated 5/14/54	11/15/54	Supplement No. 61 to F.P.C. Gas Rate Schedule No. 84
Letter dated 5/19/54	11/15/54	Supplement No. 62 to F.P.C. Gas Rate Schedule No. 84
Letter dated 5/19/54	11/15/54	Supplement No. 63 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/7/54	11/15/54	Supplement No. 64 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/25/54	11/15/54	Supplement No. 65 to F.P.C. Gas Rate Schedule No. 84
[fol. 600]		
Letter dated 6/25/54	11/15/54	Supplement No. 66 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/25/54	11/15/54	Supplement No. 67 to F.P.C. Gas Rate Schedule No. 84



Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
Letter dated 7/7/54	11/15/54	Supplement No. 68 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/9/54	11/15/54	Supplement No. 69 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/9/54	11/15/54	Supplement No. 70 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/22/54	11/15/54	Supplement No. 71 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/3/54	11/15/54	Supplement No. 72 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/4/54	11/15/54	Supplement No. 73 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/13/54	11/15/54	Supplement No. 74 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/19/54	11/15/54	Supplement No. 75 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/25/54	11/15/54	Supplement No. 76 to F.P.C. Gas Rate Schedule No. 84
an. C.C. Order dated 12/2/53	11/15/54	Supplement No. 77 to F.P.C. Gas Rate Schedule No. 84

[fol. 601]

**EXHIBIT 10 TO MOTION BY PLAINTIFF  
FOR SUMMARY JUDGMENT**

**IN THE SUPERIOR COURT OF THE STATE OF DELAWARE**

**IN AND FOR NEW CASTLE COUNTY**

**CITIES SERVICE GAS COM- )  
PANY, a corporation )**

**\* Plaintiff, )**

**v. )**

**PAN AMERICAN PETROLEUM )  
CORPORATION, a corpora- )  
tion, )**

**Defendant. )**

**Civil Action No. 722**

**1958**

**PLAINTIFF'S AFFIDAVIT IN SUPPORT OF  
ITS MOTION FOR SUMMARY JUDGMENT**

**STATE OF OKLAHOMA )**

**) SS:**

**COUNTY OF OKLAHOMA )**

**RUSSEL W. HOFSESS, of lawful age, being first duly sworn,  
upon his oath deposes and says:**

**That he is the duly elected, qualified and acting Vice  
President of plaintiff, Cities Service Gas Company, a cor-  
poration; that he is in charge of Production and Supply  
for such corporation; that as such officer of such corporation  
he has in his custody and under his control certain records  
of such corporation relating to the facts, matters and things  
involved in the above styled and numbered cause; that in  
such files and records are the following:**

**EXHIBIT 11A—A true and correct copy of a letter dated  
January 21, 1954 from plaintiff to defen-  
dant. Affidavit says that the original of such  
letter was signed by an officer of plain-  
tiff corporation and was handled in the  
regular course of plaintiff's business to  
be mailed by U. S. mail to defendant at  
its correct address with postage fully  
prepaid thereon.**

EXHIBIT 11B—A true and correct copy of a letter dated January 27, 1954 from defendant to plaintiff:

each of which is attached hereto, made a part hereof by reference, incorporated herein and marked as shown above.

FURTHER AFFIANT SAITH NOT.

/s/ RUSSEL W. HOFSESS

Subscribed and sworn to before me this 13th day of February, 1959.

/s/ HELEN LACER  
Notary Public

My commission expires:  
May 22, 1959.

[fol. 602]

EXHIBIT 11A TO MOTION BY PLAINTIFF  
FOR SUMMARY JUDGMENT

[Emblem]

CITIES SERVICE GAS COMPANY  
FIRST NATIONAL BUILDING  
OKLAHOMA CITY 1, OKLAHOMA

January 21, 1954

Stanolind Oil & Gas Company  
P. O. Box 1654  
Oklahoma City, Oklahoma

Gentlemen:

The State Corporation Commission of the State of Kansas by Order dated December 2, 1953, in Docket No. 44079-C (C-3216) directed that on and after January 1, 1954, as a condition precedent for withdrawal of gas from the Hugoton Gas Field in Kansas, there shall be paid therefor or attributed thereto, at the wellhead, a minimum price of not less than eleven cents (11¢) per M.c.f. (14.65 pounds p.s.i.a.).

Cities Service Gas Company and certain other parties filed Petitions in the District Court of Finney County, Kansas, for a judicial review of the said Order.

Pending final judicial determination of the said Order and beginning January 1, 1954, Cities Service Gas Company intends to pay for all gas purchased by it in the Kansas Hugoton Field in strict compliance with the terms and conditions of the said Order. Such compliance with said Order by this Company, however, is made to avoid the penalties and actions provided by the Kansas statutes for a violation thereof, and the payments made to you in compliance with said Order pending its final judicial determination are to be considered and accepted by you as involuntary payments on our part, without prejudice to our rights in said litigation, and in no event as an acquiescence by us in the validity of said Order.

In the event the said Order is finally judicially modified or declared to be invalid in whole or in part, as a result of which you have been overpaid for gas purchased during the interim aforesaid, Cities Service Gas Company will expect you to refund to it the amount of said overpayments.

Very truly yours,

Original signed by G. C. Roth  
G. C. Roth  
Vice President

GCR:hl

[fol. 603]

**EXHIBIT 11B TO MOTION BY PLAINTIFF  
FOR SUMMARY JUDGMENT****STANOLIND OIL AND GAS COMPANY  
FIRST NATIONAL BUILDING  
OKLAHOMA CITY, OKLAHOMA****PRODUCING DEPARTMENT  
K. W. BOLT  
DIVISION PRODUCTION  
SUPERINTENDENT****FILE KWB-11****January 27, 1954****Cities Service Gas Company  
First National Building  
Oklahoma City 1, Oklahoma****Gentlemen:**

This refers to your letter of January 21, 1954, relating to payments for Kansas Hugoton Gas on and after January 1, 1954 under Gas Purchase Contract dated June 23, 1950. We construe the last paragraph of said letter to mean that Cities will expect Stanolind to refund to it the amount of over-payments, if any, without any interest thereon should the said Order of December 2, 1953 be finally judicially modified or declared to be invalid in whole or in part by an adjudication which would be binding and controlling on Stanolind. We will, therefore, accept payments on this basis.

**Very truly yours,****/s/ K. W. BOLT  
K. W. Bolt****KWB:hcm**

[fol. 604]

[File endorsement omitted]

[fol. 605]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE  
IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722, 1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

—v.—

PAN AMERICAN PETROLEUM CORPORATION,  
a corporation, Defendant.

PLAINTIFF'S RESPONSE TO DEFENDANT'S MOTION  
TO STAY—Filed March 11, 1959

[fol. 606]

IV. Paragraph 5 (c) of Pan Am's Motion to Stay Is Foreign to the Issues Raised by the Motion to Stay, and Has No Bearing Upon the Merits of This Case.

[fol. 607] Cities' first pipeline in the Kansas-Hugoton Field was the 26" interstate pipeline, constructed in 1948 pursuant to the provisions of the 1946 Contract between Pan Am and Cities. That pipeline extended from the Kansas-Hugoton field to the Kansas City, Missouri area. It costs in excess of \$27,000,000. It was built *after* Pan Am had acquired its 600,000 acres of leases in that field. It was constructed pursuant to a Certificate of Public Convenience and Necessity, granted to Cities by the Federal Power Commission, upon the basis of gas acquired by Cities under the 1948 Contract with Stanolind and under other similar gas-purchase contracts. All gas transported through that pipeline and through Cities' pipeline subsequently acquired in that field has been purchased by Cities from third parties, such as Pan Am. No gas *produced* by Cities or by any of its affiliates in that field has ever been transported through Cities pipelines. Cities could not drain gas

from any unconnected well of Pan Am because all of Pan Am's wells and leases have been covered by contracts with Cities from the completion of Cities' pipeline. When gas had reached Cities' pipeline it had found a buyer, it had a market, and it had been measured, and no one, including Pan Am, was thereafter concerned with such gas except Cities. Pan Am, or some other producer, was responsible for blowing gas, rapid depletion, and avoidable leakage in wellheads, for Pan Am, or some other producer, had control of operations pertaining thereto—not Cities. The 1935 Kansas Gas Conservation Statutes, first enacted in 1935, were and are directed to producer operations such as Pan Am's operations—not operations such as Cities'.

Pursuant to Pan Am's insistence, its oil and gas leases provide for a term extending as long as gas can be produced from the leased land; also, its leases obligate Pan Am to find a market for its gas. Pan Am insisted that the 1946 and 1950 Gas Purchase Contracts with Cities contain a provision obligating Cities to take gas from Pan Am's leases as long as gas could be produced from such leases in commercial quantities. Since practically the entire market for gas produced in the Kansas Hugoton Field is located outside the State of Kansas, it was and is necessary, in order to justify the construction and operation of a pipeline from that field to the market, for a pipeline company to obtain a dependable supply of gas sufficient to amortize the cost of construction and operation of the pipeline and in order to secure from Federal Power Commission a Certificate of Public Convenience and Necessity and to obtain the required substantial financing. The 1950 Gas Purchase Contract contains a life-of-production provision because both Stanolind and Cities insisted upon it for their respective mutual benefits.

. . . . .



614

[fol. 609]

EXHIBIT D TO PLAINTIFF'S RESPONSE TO  
DEFENDANT'S MOTION TO STAY

V. R. CITIES SERVICE GAS COMPANY 2-24-54 C.R.  
OKLAHOMA CITY, OKLAHOMA

Net Amount

In full settlement of gas purchased for the  
period ending 1-22-54, subject to provisions  
of letters dated 8-25-53, and 1-21-54 with  
reference to gas purchased in Kansas.

725,493.48

VOUCHER NO.

CHECK NO.

12585

CITIES SERVICE GAS COMPANY

OKLAHOMA CITY, OKLA.

THE CHASE NATIONAL BANK

Feb 25 1954

OF THE CITY OF NEW YORK

1-74 NEW YORK, N. Y.

Feb 25 1954

PAY SEVEN HUNDRED TWENTY FIVE THOUSAND FOUR  
HUNDRED NINETY THREE AND 48/100 \$725,493.48

IN FULL SETTLEMENT OF ACCOUNT AS SHOWN IN  
ACCOMPANYING VOUCHER

TO  
THE  
ORDER  
OF

STANOLIND OIL AND GAS COMPANY

P. O. Box 1654

Oklahoma City, Oklahoma

CITIES SERVICE GAS COMPANY

/s/ C. J. MARTIN

/s/ A. C. KLEINSCHMIDT

EXHIBIT "D"

COUNTERSIGNATURE REQUIRED WHEN DRAWN FOR  
MORE THAN \$200.00

Cancelled stamp illegible

N.P. 39-1

1612

[fol. 610]

[File endorsement omitted]

Acknowledgment of service (omitted in printing)

[fol. 610a] [File endorsement omitted]

[fol. 611]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE  
IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722

1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

—v.—

PAN AMERICAN PETROLEUM CORPORATION, a corporation,  
Defendant.

BRIEF OF DEFENDANT, PAN AMERICAN PETROLEUM  
CORPORATION, IN SUPPORT OF ITS MOTION  
FOR STAY—Filed April 14, 1959

Morris, Nichols, Arsht & Tunnell, James M. Tunnell, Jr., 3000 duPont Building, Wilmington, Delaware.

Of Counsel: W. W. Heard, Esquire, P. O. Box 591, Tulsa, Oklahoma.

April 14, 1959.

[fol. 612] Statement of the Case

Defendant (Pan American) under its former name, Stanolind Oil and Gas Company, and plaintiff (Cities Service) have heretofore entered into a written contract dated June 23, 1950, covering the purchase and sale of dry gas produced from Pan American's oil and gas leases located in the Hugoton Field of Kansas. A copy of said contract is attached as Exhibit "A" to the plaintiff's Complaint filed in this action.

Cities Service seeks in this action to recover from Pan American the difference between the price it has paid

(11¢ per MCF at 14.65 p.s.i.a.) for gas sold and delivered from January 1, 1954, through November 22, 1957, under the terms of said contract, and the price it claims to be due (8.4¢ per MCF at 14.65 p.s.i.a.) under the terms thereof.<sup>1</sup> Pan American, in its *prior* action commenced in the District Court of Seward County, Kansas, styled *Pan American Petroleum Corporation v. Cities Service Gas Company*, No. 7219, seeks a declaratory judgment that the contract [fol. 613] has been modified to provide for a price of 11¢ per MCF at 14.65 p.s.i.a. for gas delivered under said contract for the same period and thereafter until June 23, 1961. A copy of the petition filed in said action is attached as Exhibit "A" to the motion filed herein.

Thus the same ultimate issue that must be determined in *both* actions is what is the price Cities Service is obligated to pay and Pan American is entitled to receive for gas delivered under the terms of the June 23, 1950, contract.

Pan American by its motion for a stay of this proceeding has invoked the authority of this court to hold the proceeding in abeyance pending the determination of the prior Kansas action.

•   •   •   •   •   •   •

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<sup>1</sup> Cities Service has characterized this action as a refund suit based upon an alleged "refund contract". Putting aside the dispute over the legal sufficiency or existence of any such "refund contract", the issue, nevertheless, as framed by Cities Service in its Complaint herein, is simply what was the contract price applicable for gas delivered during the period January 1, 1954 through November 22, 1957. Even assuming for purposes of argument the legal existence of such a refund contract, nevertheless, plaintiff *must* rely on a contract price of 8.4¢ per MCF at 16.4 p.s.i.a. in order to recover on its theory of the case.

[fol. 614]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE  
IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722

1958

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CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

—v.—

PAN AMERICAN PETROLEUM CORPORATION, a corporation,  
Defendant.

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STIPULATION—Filed May 8, 1959

Now, to wit, this 7th day of May, 1959,

IT IS STIPULATED by and between the parties as follows:

1. Defendant hereby withdraws its Motion for a Stay filed January 15, 1959, and will not renew or refile such a motion or make any other application which would operate to stay this action, except a plea or other presentation of the defense of *res judicata*, if it should become appropriate, based upon a decision of one or more of the issues of this case by the courts of Kansas in the pending declaratory judgment action.

2. Plaintiff may file supplemental affidavits in support of its Motion for Summary Judgment on or before May 26, 1959.

3. Defendant shall file its answer to the Complaint by May 26, 1959, and a Motion for Summary Judgment on or before June 8, 1959.

4. Defendant shall file its answering affidavits, if any, on plaintiff's Motion for Summary Judgment and shall [fol. 615] file its affidavits in support of defendant's Motion for Summary Judgment on or before June 22, 1959.

5. Plaintiff shall file its reply affidavits, if any, on plaintiff's Motion and its answering affidavits, if any, on defendant's Motion on or before July 15, 1959.

6. Defendant shall file its reply affidavits, if any, on defendant's Motion for Summary Judgment on or before July 25, 1959.

7. Plaintiff shall file its brief in support of its Motion for Summary Judgment and in opposition to defendant's Motion for Summary Judgment on or before August 15, 1959.

8. Defendant shall file its answering brief on plaintiff's Motion for Summary Judgment and main brief on defendant's Motion for Summary Judgment on or before September 15, 1959.

9. Plaintiff shall file its answering brief on defendant's Motion for Summary Judgment on or before October 1, 1959.

10. Defendant shall file its reply brief on its Motion for Summary Judgment on or before October 15, 1959.

11. Argument on both Motions for Summary Judgment shall be held at 10:00 o'clock in the forenoon on October 23, 1959.

12. An agreement underlying and controlling the above schedule is that this defendant shall not be required to argue or file briefs in respect to the plaintiff's Motion for Summary Judgment prior to argument or the filing of the corresponding briefs on plaintiff's Motions for Summary Judgment in either of its presently pending refund suits against Columbian Fuel Corporation or The Texas Company (1958 Civil Actions No. 670, No. 671 and No. 708, respectively). Therefore, if any brief or the argument in one of the above cases should be postponed to a date later than the corresponding date above provided, the remaining dates in this schedule would be automatically deferred to an extent equivalent to such postponement.

13. Nothing contained herein shall be construed as an agreement by defendant to stay or delay the prosecution

of its pending declaratory judgment action against this plaintiff in Kansas.

Howard L. Williams, Bank of Delaware Bldg.,  
Wilmington, Delaware, Attorney for Plaintiff.

Morris, Nichols, Arsht & Tunnell, James M. Tunnell,  
Jr., 3000 duPont Building, Wilmington, Delaware,  
Attorneys for Defendant.

Approved this 8th day of May, 1959.

Albert J. Stiffler, J.

[fol. 617] [File endorsement omitted]

[fol. 618]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE  
IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722

1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

—v.—

PAN AMERICAN PETROLEUM CORPORATION, a corporation,  
Defendant.

AMENDMENT TO COMPLAINT—Filed May 12, 1959

Now comes Cities Service Gas Company, Plaintiff, by its attorney, Henry N. Herndon, Jr., and, no responsive pleading having been served or filed, amends its Complaint in accordance with Rule 15 of the Rules of this Court, by adding between paragraphs 3 and 4 of the Complaint a new paragraph numbered 3A and by adding between paragraphs 7 and 8 of the Complaint a new paragraph numbered 7A as follows:

"3A Plaintiff owns and operates an interstate gas pipeline system. During all times material herein, plaintiff has been, and is now, engaged generally in the business of purchasing natural gas for transportation and sale in interstate commerce for resale for ultimate public

consumption for domestic, commercial, industrial or any other use in furtherance whereof the contract referred to in paragraph 3, above, was entered into."

"7A During such period plaintiff made each monthly payment, based upon said minimum price order, involuntarily and under business compulsion and duress; in order to perform its contracts with its customers; [fol. 619] in order to perform its duty to the public to deliver gas to its customers continuously and uninterruptedly; in order to avoid the sanctions imposed by Kansas statutes, as aforesaid; and under compulsion of the minimum price-fixing order. The increased price for gas compelled plaintiff to seek and obtain increased rates for gas delivered to its customers.

Morris, James, Hitchens & Williams, Henry N.  
Herndon, Jr., 701 Bank of Delaware Building,  
Wilmington, Delaware.

[fol. 620] [File endorsement omitted]

[fol. 621]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE  
IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722, 1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

—v.—

PAN AMERICAN PETROLEUM CORPORATION,  
a corporation, Defendant.

ANSWER—Filed May 26, 1959

Defendant, Pan American Petroleum Corporation, for its Answer to plaintiff's complaint, and amendment thereto, hereinafter referred to as "Complaint", alleged and states:

First Defense

The complaint fails to state a claim against defendant upon which any relief can be granted.



## Second Defense

1-2. Admits the allegations contained in numbers "1" and "2" of the complaint.

3. Admits that it entered into the contract described in the first unnumbered paragraph of number "3" of the complaint and that a copy of the contract as initially constituted is attached to the complaint and marked Exhibit "A" thereto. Admits the allegations contained in subparts (a) and (b) of the second unnumbered paragraph of number "3" of the complaint but denies the allegations contained in subpart (c) thereof. Denies that the price mentioned in the contract is or has been since January 1, 1954, the applicable price between plaintiff and defendant and [fol. 622] denies that the gas measurement pressure base therein specified is or has been since before January 1, 1954, the applicable gas measurement pressure base between plaintiff and defendant. Denies that the contract attached to the complaint and marked Exhibit "A" is the entire contract between plaintiff and defendant.

3A. Admits the allegations contained in the first sentence of number "3A" of the complaint, and, as to the second sentence of said number "3A", admits that a portion of the gas purchased by plaintiff from defendant is transported and resold by plaintiff for ultimate consumption outside of the State of Kansas; and states that defendant is without knowledge or information sufficient to form a belief as to the truth of the remainder of the allegations contained therein.

4. Admits the allegations contained in the first unnumbered paragraph of number "4" of the complaint.

As to the second unnumbered paragraph of number "4" of the complaint, admits that the Kansas 11¢ minimum price order directed defendant to receive 11¢ per MCF at 14.65 psia for gas produced from the Hugoton Field in Kansas as a condition precedent to the withdrawal of such gas; denies that the Kansas 11¢ minimum price order was directed to plaintiff in its capacity as a purchaser of gas; and states that it is without knowledge or information suffi-

cient to form a belief as to the truth of plaintiff's allegations of increase in costs.

Admits the allegations contained in the third unnumbered paragraph of number "4" of the complaint, except that defendant denies that such order imposed any such sanctions or that such sanctions, if imposed by either the [fol. 623] order of the law, were applicable to or could have been imposed upon plaintiff for failure to pay defendant the price provided for in the Kansas 11¢ minimum price order.

5. Admits that it received the letter from plaintiff dated January 21, 1954, and mailed to plaintiff a letter dated January 27, 1954, in the form alleged in the first three unnumbered paragraphs in number "5" of the complaint, but denies that plaintiff and defendant entered into any contract wherein it was agreed that should such price order be finally judicially declared to be invalid, then defendant would refund to plaintiff any overpayment made by plaintiff to defendant on account of such price order; and denies that the letters and checks referred to in number "5" of the complaint, or either of them, constitute a contract between plaintiff and defendant.

Admits the allegations contained in the fourth unnumbered paragraph of number "5" of the complaint, but denies that said payments were made subject to any alleged written contract to refund and that said statements indicate the existence of any contract to refund.

Denies the allegations contained in the fifth unnumbered paragraph of number "5" of the complaint and alleges that said letter of August 25, 1953, together with the letters referred to therein, is material.

6. Admits the allegations contained in the first unnumbered paragraph of number "6" of the complaint, but denies the allegations contained in the second unnumbered paragraph of number "6" of the complaint.

7. As to the allegations contained in number "7" of the complaint, admits that beginning January 29, 1958, plaintiff [fol. 624] made demands upon defendant for various amounts and that defendant has refused to pay any of said

amounts, and denies each and every other allegation contained in said paragraph.

7A. As to the allegations contained in number "7A" of the complaint, admits that plaintiff increased its rates to its customers and denies each and every other allegation contained in said paragraph.

8. As to the allegations contained in number "8" of the complaint, admits that, during the time involved herein, plaintiff paid defendant the rate of 11¢ per MCF at 14.65 psia with allowance for deviation from Boyle's Law, plus appropriate tax reimbursement, but denies that any part of said payments constituted overpayments; and denies each and every other allegation contained therein.

9. Denies the allegations contained in number "9" of the complaint.

10. Denies each, every, and all allegations of the complaint not herein specifically admitted, or controverted or specifically denied.

### Third Defense

11. Defendant alleges that by letter of transmittal dated November 15, 1954, with forwarding letter dated November 16, 1954, it tendered to the Federal Power Commission, pursuant to the provisions of the Natural Gas Act and Federal Power Commission Order 174, as amended, as its Rate Schedule for the sale of gas to plaintiff under the contract dated June 23, 1950, as amended, (a) a copy of the said contract, as amended, and (b) a copy of the Kansas 11¢ price order, to which tender was attached a copy of the [fol. 625] billing rendered by defendant to plaintiff for gas delivered under the said contract, as amended, during the month of May, 1954; and that said letter of transmittal tendered for filing a rate of 11¢ per MCF at 14.65 psia for all gas sold and delivered by defendant to plaintiff under the said contract, as amended, from June 7, 1954, and until changed by further order of the Commission.

12. Defendant further alleges that by letter dated November 16, 1954, defendant mailed to plaintiff at its office

in Oklahoma City, Oklahoma, and plaintiff duly received, a copy of said letter of transmittal which identified and described item by item every document tendered by defendant as a part of said Rate Schedule and that said letter of November 16, 1954, advised plaintiff of the acts of defendant set forth in paragraph "11", above.

13. Defendant further alleges that on January 26, 1955, defendant's said tender of November 16, 1954, was considered at a meeting of the Commissioners comprising the Federal Power Commission, and that at said meeting said Commissioners duly determined and voted to accept for filing and filed said contract of June 23, 1950, as amended, and said Kansas 11¢ order as defendant's FPC gas Rate Schedule No. 84 and Supplements 1 through 77 thereto, duly determined and voted that the price payable on June 7, 1954, under said Rate Schedule was 11¢ per MCF at 14.65 psia, duly determined and voted to accept 11¢ per MCF as the "rate in effect" on June 7, 1954, under said Rate Schedule until changed by further order of the Commission, and directed the Secretary of the Commission to advise defendant of said action by appropriate letter order. A certified copy of the official minutes of the Federal Power Commission setting forth said Commission's action as described herein is attached to this Answer marked Exhibit "A", and by this reference made a part hereof as if fully set forth herein.

14. Defendant further alleges that by letter order dated March 2, 1955, the Federal Power Commission advised defendant of said Commission's action and determinations as described in paragraph "13", above, and that on or about said date plaintiff had notice of said letter order and a copy thereof was placed in the public files of the Federal Power Commission. A true copy of said letter order is attached to this Answer marked Exhibit "B", and by this reference made a part hereof as if fully set forth herein.

15. Defendant further alleges that by letter of transmittal dated June 28, 1957, with forwarding letter dated July 1, 1957, it tendered to the Federal Power Commission,

pursuant to the provisions of the Natural Gas Act and Federal Power Commission Order No. 174, as amended, a notice of a change in rate under its Rate Schedule No. 84 from 11¢ per MCF at 14.65 psia to 11.0715¢ per MCF at 14.63 psia covering reimbursement due defendant for payment of the 1% Kansas gas severance tax, effective July 1, 1957, per act of the Kansas Legislature House Bill No. 383 which imposed a tax of 1% of the effective sales price of gas. Copies of said letters are attached to this Answer marked Exhibit "C", and by this reference made a part hereof as if fully set forth herein.

16. Defendant further alleges that by letter dated June 28, 1957, defendant mailed to plaintiff at its office in Oklahoma City, Oklahoma, and plaintiff subsequently received, a copy of said letter of transmittal, and that said letter notified plaintiff that defendant was tendering said change [fol. 627] in Rate Schedule with the Federal Power Commission.

17. Defendant further alleges that on July 24, 1957, defendant's said tender of July 1, 1957, was considered at a meeting of the Commissioners comprising the Federal Power Commission, and that at said meeting said Commissioners duly determined and voted to accept for filing and filed said change in Rate Schedule as Supplement No. 80 to defendant's Rate Schedule No. 84, duly determined and voted that said change in Rate Schedule should be effective July 1, 1957, duly determined and voted to accept 11.0715¢ per MCF as the rate in effect on July 1, 1957, under defendant's said Rate Schedule No. 84 until changed by further order of the Commission and directed the Secretary of the Commission to advise defendant of said action by appropriate letter order. A certified copy of the official minutes of the Federal Power Commission setting forth said Commission's action as described herein, is attached to this Answer marked Exhibit "D", and by this reference made a part hereof as if fully set forth herein.

18. Defendant further alleges that by letter order dated August 19, 1957, the Federal Power Commission advised defendant of said Commission's action and determinations

as described in paragraph "17", above, and that on or about said date plaintiff had notice of said letter order, and a copy thereof was placed in the public files of the Federal Power Commission. A true copy of said letter order is attached to this Answer marked Exhibit "E", and by this reference made a part hereof as if fully set forth herein.

19. Defendant further alleges that plaintiff could have, but well knowing of its rights, wilfully and specifically [fol. 628] failed, neglected and refused to protest to the Federal Power Commission any of the filings with the Federal Power Commission by defendant of said documents as its Rate Schedule; or to protest to the Federal Power Commission defendant's filing of an 11¢ per MCF rate for said sale as set forth in paragraphs "11" and "15", above; or to petition the Federal Power Commission for a rehearing on the Commission's determinations and actions which were published by the issuance of said letter orders as set forth in paragraphs "13" and "17", above; or to seek judicial review of said orders of the Federal Power Commission as provided by Section 19(b) of the Natural Gas Act.

20. Defendant alleges that each of said Federal Power Commission's determinations and actions was duly made and constitutes defendant's effective filed Rate Schedule and defendant's effective filed rates covering gas sold under said Rate Schedule during the period beginning June 7, 1954, to and including June 30, 1957, and from and after July 1, 1957, has become final and is in full force and effect with respect to the period of time applicable thereto, but that plaintiff by bringing this action to recover from defendant a portion of the authorized and legally established effective rate paid by plaintiff to defendant for gas purchased under said contract is seeking to annul and set aside said Federal Power Commission's final determinations and actions.

21. Defendant further alleges that by reason of the foregoing, the said 11¢ per MCF at 14.65 psia has at all times on and after June 7, 1954, to and including June 30, 1957, and the said 11.0715¢ per MCF at 14.65 psia has at all times from and after July 1, 1957, been the only lawfully



[fol. 629] filed rates for gas sold under said Rate Schedule, and that this suit by plaintiff constitutes an unlawful collateral attack on each of said Federal Power Commission's final determinations and actions, and plaintiff is not entitled to maintain this action and is entitled to no recovery herein.

#### Fourth Defense

22. Defendant incorporates herein the allegations contained in its Third Defense of this Answer, and further alleges that the defendant has not filed said alleged written refund contract as part of its Rate Schedule under which the subject gas is sold; that plaintiff has not requested defendant to file said alleged written refund contract as part of said Rate Schedule, nor protested to the Federal Power Commission the failure of defendant to file said alleged written refund contract as part of its rate schedule; that said alleged written refund contract is not part of the effective rate schedule under which the subject gas is sold to plaintiff by defendant; and that said alleged written refund contract is without force and effect between plaintiff and defendant, by reason of which plaintiff is entitled to no recovery herein.

#### Fifth Defense

23. Defendant incorporates herein the denials contained in paragraph number "4" of this Answer and alleges that neither the State of Kansas nor the Kansas Corporation Commission nor the defendant has ever taken any action against plaintiff or sought to impose any penalties on plaintiff, or threatened so to do, in the event plaintiff failed to pay to defendant the value which producers were, under the [fol. 630] Kansas Minimum Price Order, required to receive for or attribute to gas produced from the Hugoton Field, Kansas. A copy of the Kansas Corporation Commission orders dated July 18, 1956, and August 31, 1956, in Docket No. 52417-G (C-5040) holding that said Kansas Minimum Price Order cannot be used to compel pipeline purchasers to pay producers and royalty owners said minimum price is attached to this Answer, set out verbatim, marked Ex-



hibit "F", and by this reference made a part hereof as if fully set forth herein.

24. Defendant further alleges that, if plaintiff had not voluntarily elected to pay unqualifiedly the 11¢ price but had elected to resist payment thereof by lawful means available to it, plaintiff could have

- (a) diligently prosecuted its action in the District Court of Finney County, Kansas, for judicial review of the validity of said State Minimum Price Order under Section 55-707, G. S. Kansas 1949 but, to the contrary, plaintiff wilfully delayed the trial of said action in said Court for over two years, notwithstanding that said Commission filed a motion to dismiss plaintiff's said appeal for lack of prosecution and notwithstanding that Section 55-606, G. S. Kansas 1949 provides that appeals from orders of said State Commission shall have precedence and on motion shall be advanced over any other civil cause of a different nature,
- (b) if the foregoing method of review was not adequate, Section 55-606, G. S. Kansas 1949 reserved to plaintiff [fol. 631] the usual equitable remedies, and plaintiff could have brought an equitable action in the State Courts, or
- (c) in the alternative, under 28 *USCA* 1337 plaintiff could have brought an equitable action in the Federal District Court, or
- (d) as another pipeline company did, plaintiff could have brought an action for declaratory judgment to determine the price payable for gas delivered on and after January 1, 1954.

Defendant alleges that, depending on which of the above available remedies plaintiff elected to pursue, plaintiff could have under either a supersedeas *pendente lite*, or *pendente lite* under a temporary restraining order or temporary injunction, or other intermediate remedy avoided paying to defendant the Kansas minimum price until the

validity of said minimum price order was finally determined. A copy of said Sections 55-606 and 55-707, G. S. Kansas 1949 is attached to this Answer, set out verbatim, marked Exhibit "G", and by this reference made a part hereof as if fully set forth herein.

Defendant further alleges that if plaintiff had not intended to pay defendant 11¢ per MCF at 14.65 psia voluntarily and unconditionally, it would have protested the filing of 11¢ per MCF at 14.65 psia as the filed rate and, upon an adverse final Commission determination, it would have prosecuted a judicial review thereof and thus have avoided unconditional and voluntary payment of what it now alleges to be excess amounts, all of which action plaintiff followed in the case of another producer similarly situated:

25. Defendant further incorporates herein the denials contained in paragraphs numbered "4", "5", "7", "7A", "8" and "9" of this Answer and further alleges that defendant did not demand or otherwise solicit payment of said 11¢ price from plaintiff or threaten to reduce or to discontinue deliveries of gas to plaintiff if said price was not paid, but that, without defendant having made any request therefor, plaintiff voluntarily offered to pay 11¢ per MCF at 14.65 psia for said gas and did voluntarily pay such price for said gas purchased by it from January 1, 1954, to November 22, 1957, inclusive. Defendant further alleges that, as plaintiff well knew, Section 7(b) of the Natural Gas Act (15 *USCA* 717f (b)) prohibited defendant from discontinuing or reducing deliveries of gas to plaintiff without first having obtained the Federal Power Commission's permission granted after a full and public hearing, and that no application for such permission has ever been filed by defendant with said Commission.

Defendant further alleges that, even had it obtained permission to discontinue deliveries to plaintiff, before it could have discontinued deliveries to plaintiff under said contract, it would have also been required to give at least thirty days' notice to plaintiff and to said Commission of the cancellation of defendant's rate schedule, as provided by Section 154.97 of the Federal Power Commission Rules

and Regulations (18 CFR 154.97), and that defendant never gave or threatened to give said notice of cancellation.

26. Defendant further alleges that, under Kansas and Delaware law, a statement that a payment is made under [fol. 633] protest or under duress is no more than a gesture unless within a reasonable time the alleged protestant commences and diligently prosecutes legal proceedings to determine the validity of its alleged claim, and that plaintiff failed to prosecute diligently any such proceedings. Defendant further alleges that plaintiff's conduct from January 1, 1954, through January 20, 1958, was inconsistent with its alleged statements that payments were made under protest and under duress, and said statements were contrary to the actual circumstances under which said payments were made.

27. Defendant further alleges that plaintiff in its complaint has alleged that it paid defendant said 11¢ price because it was compelled to do so by the purportedly valid Kansas Minimum Price Order, which allegation is an allegation of payment based on a mistake of law, and under Kansas and Delaware law payment based on mistake of law constitutes a voluntary payment.

Defendant further alleges that, by reason of the foregoing, each of plaintiff's payments to defendant of the price of 11¢ per MCF at 14.65 psia from January 1, 1954, through November 22, 1957, was, under Kansas and Delaware law, a voluntary payment of said price, that, under Kansas and Delaware law, voluntary payments cannot be recovered; and plaintiff is, therefore, entitled to no recovery herein.

#### Sixth Defense

28. Defendant alleges that plaintiff has continuously, and for its special benefit, since January 1, 1954, justified the level of its rates to its customers by taking the position before the Federal Power Commission in proceedings in [fol. 634] volving its rates that the 11¢ per MCF price under said contract is the filed rate of defendant and that the same is final, unconditional and without expectation of refund of any part thereof. Defendant alleges that plaintiff

has at all times involved herein collected and continues to collect from its purchasers a price based upon the payment by it to defendant of a price of 11¢ per MCF at 14.65 psia for gas purchased from defendant under said contract.

Defendant further alleges that, by reason of the above reliance by the plaintiff for its special benefit on its right to retain the benefits resulting from its collection from its customers of a rate based on payment to defendant and other producers of the 11¢ price for Kansas-Hugoton gas, plaintiff is estopped from asserting the invalidity of said order in order to claim for itself money received from its customers and paid to defendant based upon the price provided in said order, and plaintiff is entitled to no recovery herein.

#### Seventh Defense

29. Defendant incorporates herein all of the allegations of plaintiff's acts, omissions and conduct contained in its Third through Sixth Defenses of this Answer, and further alleges that, with plaintiff's knowledge and acquiescence, defendant, during the time involved herein, and based upon the unconditional receipt by it of the 11¢ price for gas purchased under said contract, paid over to royalty owners and other working interest owners a substantial portion of the proceeds received from plaintiff and expended large sums improving its ability to produce gas from the leases [fol. 635] committed to said contract to the benefit of plaintiff.

30. Defendant further alleges that said contract was created by the laws of Kansas and the sale of gas thereunder is performed in Kansas, and that, by said various and divers acts, omissions and conduct as alleged herein, plaintiff has agreed to and acquiesced in a modification of the pricing provisions of said contract so as to provide that effective January 1, 1954, the price payable for gas purchased under said contract is 11¢ per MCF at 14.65 psia with an adjustment for deviation from Boyle's Law; that plaintiff is estopped to contend otherwise, that, under Kansas and Delaware law, said acts, omissions, and conduct constitute agreement to and acquiescence in said modifica-

tion of the pricing provisions of said contract, that plaintiff is by said State law estopped to deny the same, and that said price was lawfully, and with plaintiff's consent, filed by defendant as the price payable under said contract on June 7, 1954, by virtue of the pricing provisions thereof, and the Federal Power Commission lawfully determined such to be the case and so accepted defendant's rate schedules covering said contract, by reason of which plaintiff is entitled to no recovery herein.

#### Eighth Defense

31. Defendant incorporates herein all of its allegations of plaintiff's acts, omissions, and conduct contained in the Third through Sixth Defenses of this Answer and further alleges that in any event, even if plaintiff's alleged protest to payment was initially valid, said protest was limited by its terms to a protest against payment of the minimum price fixed by order of the Kansas Corporation Commission [fol. 636] and not against payment of the regulated price authorized by the Federal Power Commission as defendant's effective rate for gas sold pursuant to said contract, and further that plaintiff by said acts, omissions, and conduct subsequently abandoned and repudiated said protest. Defendant further alleges that in any event, even if plaintiff's payments were initially involuntary, under Kansas law, they became voluntary on June 7, 1954, and were voluntary thereafter, by reason of which plaintiff is entitled to no recovery herein.

#### Ninth Defense

32. Defendant incorporates herein the allegations contained in its Sixth Defense of this Answer and further alleges that plaintiff is attempting herein to recovery from defendant money which it has received from its customers based upon the unconditional payment by it to defendant of said 11¢ price; that plaintiff will not and, as a practical matter cannot, refund to each ultimate consumer of the gas involved herein said consumer's pro rata share of any recovery by plaintiff herein; and that to permit plaintiff to

recover herein would constitute an unconscionable windfall to plaintiff and unjustly enrich plaintiff.

33. Defendant alleges that plaintiff and Cities Service Oil Company (Delaware) are each wholly owned subsidiaries of Empire Gas and Fuel Company, a Delaware corporation, which in turn is a wholly owned subsidiary of Cities Service Company, a Delaware corporation; that Cities Service Gas Producing Company is a wholly owned subsidiary of plaintiff; that Cities Service Oil Company and Cities Service Gas Producing Company, during the period commencing January 1, 1954, and ending sometime in November or December of 1957, have under substantially identical circumstances as are involved herein, collected from interstate pipeline purchasers the same rates and charges as were paid to defendant by plaintiff herein; that said pipeline purchasers, *inter alia* Kansas-Nebraska Natural Gas Company and Northern Natural Gas Company, have demanded that Cities Service Oil Company refund the difference between the amounts so collected and the price that would have otherwise been effective on June 7, 1954, under its gas sales contracts; that said affiliate of plaintiff has failed and refused to refund said amounts and has vigorously resisted the efforts of its pipeline purchasers to compel refunds, and to the best of defendant's knowledge and information continues to vigorously resist all efforts to secure the payment of said refunds.

34. Defendant further alleges that, based upon the acts, omissions and conduct of plaintiff alleged in the Third through Sixth Defenses of this Answer which allegations by this reference are hereby incorporated herein, defendant reasonably relied on the unconditional payment of said 11¢ price by plaintiff for said gas, and, based upon said payment of said price, paid over to royalty owners and expended in improving and in maintaining improved delivery of gas to plaintiff a large part of what plaintiff now alleges to be excess payments, that said expenditures by defendant benefited plaintiff, that plaintiff, with knowledge of said circumstances under which said benefits were rendered to it, nevertheless accepted said benefits without reservation or protest and retained the same, that said 11¢ price paid by



plaintiff is the reasonable value of the gas delivered by [fol. 638] defendant to plaintiff during the time plaintiff now alleges it made excess payments, and that to permit plaintiff to recover herein would constitute an unconscionable windfall to plaintiff and unjustly enrich plaintiff, by reason of which plaintiff is entitled to no recovery herein.

#### Tenth Defense

35. Defendant alleges that plaintiff is herein seeking to recover based upon what it now alleges to be its right to have paid a rate other than the authorized effective rate for gas sold under defendant's Rate Schedule No. 84 and, consequently, is seeking to have this court change the effective rate for gas sold under said rate schedule to a rate that is not the effective legal rate authorized by the Federal Power Commission; that the Federal Power Commission has exclusive primary jurisdiction in proceedings to modify said effective rates; and that this court is without jurisdiction to change said effective rates or jurisdiction over plaintiff's claim that it was entitled to pay less than the authorized effective rates which were actually paid by it, by reason of which this court is without jurisdiction over plaintiff's claim, and plaintiff is not entitled to maintain this action or entitled to any recovery herein.

#### Eleventh Defense

36. Claims for all or a portion of the payments made by plaintiff to defendant referred to in the complaint are barred by the statute of limitations of Delaware and the statutes of limitations of such other jurisdictions as might be applicable.

#### Twelfth Defense

37. Defendant alleges that plaintiff's alleged written re-[fol. 639] fund contract is not supported by consideration, and that the same is therefore not enforceable against defendant, by reason of which plaintiff is entitled to no recovery herein.



### Counterclaim

38. Defendant incorporates herein all of the foregoing admissions, denials and allegations of this Answer, and for its counterclaim further alleges that from November 23, 1957, through April 22, 1959, the last date for which defendant knows the volumes of gas purchased, defendant delivered gas to plaintiff under said rate schedule; that the present contract price and the present effective rate for said gas was at all times 11.0715¢ per MCF at 14.65 psia; that plaintiff is obligated to pay said effective rate, but that plaintiff has wrongfully refused to make payment at said rate, by reason of which plaintiff is indebted to defendant for gas delivered during said period in the amount of three million eight hundred eighty-eight thousand six hundred forty-seven and 26/100 dollars (\$3,888,647.26), and defendant is entitled to recover the same from plaintiff.

Wherefore, defendant prays that plaintiff recover nothing on its complaint herein, that the complaint be dismissed without prejudice, that defendant recover from plaintiff the sum of \$3,888,647.26 plus costs and disbursements of this action and be granted any other further relief to which defendant may be entitled.

Morris, Nichols, Arsht & Tunnell, James M. Tunnell, Jr., 3000 duPont Building, Wilmington, Delaware, Attorneys for Defendant.

Of Counsel: W. W. Heard, Esq., Karl R. Goldsmith, Esq., P. O. Box 591, Tulsa, Oklahoma.

[fol. 640]

### EXHIBIT A TO ANSWER

### UNITED STATES OF AMERICA FEDERAL POWER COMMISSION

I, Joseph H. Gutride, Secretary of the Federal Power Commission, and official custodian of the minutes of said Commission, do hereby certify that the attached page number 53320 is a true and correct copy of an excerpt from the Commission's minutes of January 26, 1955, and that

the attached page number 53473 is a true and correct copy of sheet number 2 of Table 1 of Table IP No. 85 referred to therein.

In witness whereof I have hereunto subscribed my name and caused the seal of the Federal Power Commission to be affixed this 6th day of February, A. D., 1959, at Washington, D. C.

/s/ J. H. GUTRIDE  
Secretary,

[Seal]

[fol. 641]

53320

Minutes—meeting  
January 26, 1955

— 5 —

The Commission considered the rate filings identified on the attached Tables 1, 2, 3 and 4, IP 78, dated January 18, 1955, and voted to accept all of them, and that for all tax increases filed on or before October 1, 1954, notice be waived to establish the requested effective dates; but that for those tax changes filed after October 1, 1954, notice be waived to establish the dates of filing or the dates requested, whichever are later, as the effective dates. The filing companies are to be advised of this action by appropriate form letters.

\*\*\*\*\*

The Commission considered the rate filings identified on the attached Tables 1, 2, 3 and 4, IP 84, dated January 19, 1955, and voted to accept all of them, and that for tax increases and the other changes reported on Table 4, notice be waived to establish the date of filing or the date requested, whichever is later, as the effective date. The filing companies are to be advised of this action by appropriate form letters.

\*\*\*\*\*

The Commission considered the rate filings identified on the attached Tables 1, 2, 3, 4 and 5, IP 85, dated January 20, 1955, and voted to accept all of them, that notice be waived to establish the requested effective dates for all tax increases filed on or before

October 1, 1954; and that for those tax changes filed after October 1, 1954, notice be waived to establish the dates of filing or the dates requested, which ever are later, as the effective date. The filing companies are to be advised of this action by appropriate form letters.

.....

The Commission considered the rate filings identified on the attached Table, IP 90, dated January 25, 1955, and suspended the filings listed on Lines 19 and 20, Sheet 1, until March 1, 1955, and voted to accept all of the other filings, with waiver of notice to be granted only for the tax increases to the extent necessary to permit them to become effective on the dates of filing; the other increases to be effective 30 days after filing, or the proposed effective dates, whichever are later. The filing companies are to be advised of this action by appropriate form letters.

.....

The Commission approved a letter to the Empire District Electric Company, advising, in response to its letter of December 13, 1954, that its Rate Schedules FPC Nos. 65 and 68, and Exhibit A to Rate Schedule FPC No. 68, have been accepted for filing, to become effective on February 7, 1955.

.....

JAN 11 1955  
IP NO 85

SUMMARY OF INDEPENDENT PRODUCER RATE FILINGS  
RATES IN EFFECT ON JUNE 7, 1964

TABLE NO 1  
SHEET 2 OF 23

LINE NO.	FILER COMPANY	REGISTRATION		DESCRIPTION AND DATE OF INSTRUMENT	DATE OF TRANSMITTAL LETTER	FILING DATE	OTHER	PAGE JUNE 7, 1964 (4 PER SET)	CHESAPEAKE- SENECA- TERR. SERIAL NO.
		RATE SCHEDULE NO.	SUPPLEMENT NO.						
43	STANOLIND OIL & GAS CO.	84	42	Assignment 7-8-53	11-15-54	11-16-54	Cities Service Gas Company		154277
44	511 South Boston Avenue	84	43	Release 7-14-53	"	"	(Hugoton Field, Kansas)		
45	Tulsa 3, Oklahoma.	84	44	Letter - 7-17-53	"	"			
46	"	84	45	Letter 7-27-53	"	"			
47	"	84	46	Letter 8-7-53	"	"			
48	"	84	47	Release 9-9-53	"	"			
49	"	84	48	Sub. Agree. 10-27-53	"	"			
50	"	84	49	Letter 11-4-53	"	"			
51	"	84	50	Sub. Agree. 11-19-53	"	"			
52	"	84	51	Release 11-30-53	"	"			
53	"	84	52	Letter 12-9-53	"	"			
54	"	84	53	Letter 1-8-54	"	"			
55	"	84	54	Letter 1-20-54	"	"			
56	"	84	55	Letter 2-8-54	"	"			
57	"	84	56	Sub. Agree. 2-15-54	"	"			
58	"	84	57	Letter 3-4-54	"	"			
59	"	84	58	Letter 3-12-54	"	"			
60	"	84	59	Letter 4-2-54	"	"		11.	
61	"	84	60	Letter 4-27-54	"	"			
62	"	84	61	Letter 5-14-54	"	"			
63	"	84	62	Letter 5-19-54	"	"			
64	"	84	63	Letter 5-19-54	"	"			
65	"	84	64	Letter 6-7-54	"	"			
66	"	84	65	Letter 6-25-54	"	"			
67	"	84	66	Letter 6-25-54	"	"			
68	"	84	67	Letter 6-25-54	"	"			
69	"	84	68	Letter 7-7-54	"	"			
70	"	84	69	Letter 7-9-54	"	"			
71	"	84	70	Letter 7-9-54	"	"			
72	"	84	71	Letter 7-22-54	"	"			
73	"	84	72	Letter 8-3-54	"	"			
74	"	84	73	Letter 8-4-54	"	"			
75	"	84	74	Letter 8-13-54	"	"			
76	"	84	75	Letter 8-19-54	"	"			
77	"	84	76	Letter 8-25-54	"	"			
78	"	84	77	Ken. C.C. Order 2 12-2-53	"	"			

[fol. 643]

## EXHIBIT B TO ANSWER

Address all Communications  
to the Secretary

FEDERAL POWER COMMISSION  
Washington 25

MAR -2 1955

Stanolind Oil & Gas Co.  
511 South Boston Avenue  
Tulsa 3, Oklahoma

Gentlemen:

This is to advise you that the rate filings listed at the bottom of this letter have been accepted for filing.

In the event that any of the documents comprising the listed rate schedules contain provisions for future automatic adjustments in rates and charges based upon new or increased taxes, prices paid for gas by or to others, price re-determination provisions, or any similar provision, your attention is directed to the fact that such provisions, when invoked to change the rates being charged June 7, 1954, will constitute a change in such rates and charges within the meaning of Section 4(d) of the Natural Gas Act and Section 154.94 of the Commission's Regulations under such Act as promulgated by this Commission's Order No. 174-B. The Act and the Commission's rules require that such changes be filed with the Commission not more than 90 days nor less than 30 days prior to the proposed effective date thereof.

This acceptance for filing shall not be construed as a waiver of the requirements of Section 7 of the Natural Gas Act, as amended; nor shall it be construed as constituting approval of any rate, charge, classification, or any rule, regulation or practice affecting such rate or service contained in the rate filing; nor shall such acceptance be deemed as recognition of any claimed contractual



right or obligation associated therewith; and such acceptance is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against your company.

Very truly yours, .

/s/ LEON M. FUQUAY  
Secretary

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
<b>Stanolind Oil &amp; Gas Co.</b>		
Contract dated 6/23/50	11/15/54	F.P.C. Gas Rate Schedule No. 84
Letter dated 7/28/50	11/15/54	Supplement No. 1 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/28/50	11/15/54	Supplement No. 2 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/8/50	11/15/54	Supplement No. 3 to F.P.C. Gas Rate Schedule No. 84
[fol. 644] Supp. Agree. dated 10/3/50	11/15/54	Supplement No. 4 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 10/3/50	11/15/54	Supplement No. 5 to F.P.C. Gas Rate Schedule No. 84
Letter dated 10/11/50	11/15/54	Supplement No. 6 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 10/16/50	11/15/54	Supplement No. 7 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 11/22/50	11/15/54	Supplement No. 8 to F.P.C. Gas Rate Schedule No. 84
Letter dated 11/29/50	11/15/54	Supplement No. 9 to F.P.C. Gas Rate Schedule No. 84

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
Supp. Agree. dated 12/13/50	11/15/54	Supplement No. 10 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 2/5/51	11/15/54	Supplement No. 11 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 2/23/51	11/15/54	Supplement No. 12 to F.P.C. Gas Rate Schedule No. 84
Letter dated 5/18/51	11/15/54	Supplement No. 13 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 5/31/51	11/15/54	Supplement No. 14 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 6/25/51	11/15/54	Supplement No. 15 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 7/2/51	11/15/54	Supplement No. 16 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/25/51	11/15/54	Supplement No. 17 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/25/51	11/15/54	Supplement No. 18 to F.P.C. Gas Rate Schedule No. 84
[fol. 645]		
Letter dated 8/29/51	11/15/54	Supplement No. 19 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/31/51	11/15/54	Supplement No. 20 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 10/16/51	11/15/54	Supplement No. 21 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 10/25/51	11/15/54	Supplement No. 22 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 2/19/52	11/15/54	Supplement No. 23 to F.P.C. Gas Rate Schedule No. 84



Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
App. Agree. dated 4/11/52	11/15/54	Supplement No. 24 to F.P.C. Gas Rate Schedule No. 84
App. Agree. dated 5/6/52	11/15/54	Supplement No. 25 to F.P.C. Gas Rate Schedule No. 84
App. Agree. dated 6/27/52	11/15/54	Supplement No. 26 to F.P.C. Gas Rate Schedule No. 84
App. Agree. dated 7/17/52	11/15/54	Supplement No. 27 to F.P.C. Gas Rate Schedule No. 84
App. Agree. dated 7/25/52	11/15/54	Supplement No. 28 to F.P.C. Gas Rate Schedule No. 84
App. Agree. dated 11/12/52	11/15/54	Supplement No. 29 to F.P.C. Gas Rate Schedule No. 84
Release dated 3/16/53	11/15/54	Supplement No. 30 to F.P.C. Gas Rate Schedule No. 84
App. Agree. dated 5/25/53	11/15/54	Supplement No. 31 to F.P.C. Gas Rate Schedule No. 84
App. Agree. dated 5/28/53	11/15/54	Supplement No. 32 to F.P.C. Gas Rate Schedule No. 84
Release dated 6/8/53	11/15/54	Supplement No. 33 to F.P.C. Gas Rate Schedule No. 84
[Vol. 646] Letter dated 6/8/53	11/15/54	Supplement No. 34 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/9/53	11/15/54	Supplement No. 35 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/9/53	11/15/54	Supplement No. 36 to F.P.C. Gas Rate Schedule No. 84
App. Agree. 6/19/53	11/15/54	Supplement No. 37 to F.P.C. Gas Rate Schedule No. 84

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
Letter dated 6/26/53	11/15/54	Supplement No. 38 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/26/53	11/15/54	Supplement No. 39 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 7/7/53	11/15/54	Supplement No. 40 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/7/53	11/15/54	Supplement No. 41 to F.P.C. Gas Rate Schedule No. 84
Assignment dated 7/8/53	11/15/54	Supplement No. 42 to F.P.C. Gas Rate Schedule No. 84
Release dated 7/14/53	11/15/54	Supplement No. 43 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/17/53	11/15/54	Supplement No. 44 to F.P.C. Gas Rate Schedule No. 84
Letter dated 7/27/53	11/15/54	Supplement No. 45 to F.P.C. Gas Rate Schedule No. 84
Letter dated 8/7/53	11/15/54	Supplement No. 46 to F.P.C. Gas Rate Schedule No. 84
Release dated 9/9/53	11/15/54	Supplement No. 47 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 10/27/53	11/15/54	Supplement No. 48 to F.P.C. Gas Rate Schedule No. 84
Letter dated 11/4/53	11/15/54	Supplement No. 49 to F.P.C. Gas Rate Schedule No. 84
[fol. 647]		
Supp. Agree. dated 11/19/53	11/15/54	Supplement No. 50 to F.P.C. Gas Rate Schedule No. 84
Release dated 11/30/53	11/15/54	Supplement No. 51 to F.P.C. Gas Rate Schedule No. 84
Letter dated 12/9/53	11/15/54	Supplement No. 52 to F.P.C. Gas Rate Schedule No. 84

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
Letter dated 1/8/54	11/15/54	Supplement No. 53 to F.P.C. Gas Rate Schedule No. 84
Letter dated 1/20/54	11/15/54	Supplement No. 54 to F.P.C. Gas Rate Schedule No. 84
Letter dated 2/8/54	11/15/54	Supplement No. 55 to F.P.C. Gas Rate Schedule No. 84
Supp. Agree. dated 2/15/54	11/15/54	Supplement No. 56 to F.P.C. Gas Rate Schedule No. 84
Letter dated 3/4/54	11/15/54	Supplement No. 57 to F.P.C. Gas Rate Schedule No. 84
Letter dated 3/12/54	11/15/54	Supplement No. 58 to F.P.C. Gas Rate Schedule No. 84
Letter dated 4/2/54	11/15/54	Supplement No. 59 to F.P.C. Gas Rate Schedule No. 84
Letter dated 4/27/54	11/15/54	Supplement No. 60 to F.P.C. Gas Rate Schedule No. 84
Letter dated 5/14/54	11/15/54	Supplement No. 61 to F.P.C. Gas Rate Schedule No. 84
Letter dated 5/19/54	11/15/54	Supplement No. 62 to F.P.C. Gas Rate Schedule No. 84
Letter dated 5/19/54	11/15/54	Supplement No. 63 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/7/54	11/15/54	Supplement No. 64 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/25/54	11/15/54	Supplement No. 65 to F.P.C. Gas Rate Schedule No. 84
[fol. 648]		
Letter dated 6/25/54	11/15/54	Supplement No. 66 to F.P.C. Gas Rate Schedule No. 84
Letter dated 6/25/54	11/15/54	Supplement No. 67 to F.P.C. Gas Rate Schedule No. 84

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation
Letter dated 7/7/54	11/15/54	Supplement No. 68 to F.P.C. Gas Rate Schedule No. 8
Letter dated 7/9/54	11/15/54	Supplement No. 69 to F.P.C. Gas Rate Schedule No. 8
Letter dated 7/9/54	11/15/54	Supplement No. 70 to F.P.C. Gas Rate Schedule No. 8
Letter dated 7/22/54	11/15/54	Supplement No. 71 to F.P.C. Gas Rate Schedule No. 8
Letter dated 8/3/54	11/15/54	Supplement No. 72 to F.P.C. Gas Rate Schedule No. 8
Letter dated 8/4/54	11/15/54	Supplement No. 73 to F.P.C. Gas Rate Schedule No. 8
Letter dated 8/13/54	11/15/54	Supplement No. 74 to F.P.C. Gas Rate Schedule No. 8
Letter dated 8/19/54	11/15/54	Supplement No. 75 to F.P.C. Gas Rate Schedule No. 8
Letter dated 8/25/54	11/15/54	Supplement No. 76 to F.P.C. Gas Rate Schedule No. 8
Kan. C.C. Order dated 12/2/53	11/15/54	Supplement No. 77 to F.P.C. Gas Rate Schedule No. 8

[fol. 649]

**EXHIBIT C TO ANSWER**

June 28, 1957

**Letter of Transmittal**

Notice Relative to Rate Schedule )  
 No. 84 of PAN AMERICAN PETRO- )  
 LEUM CORPORATION, an Independ- ) Supplement No. 80 to  
 ent Producer in Compliance with ) Rate Schedule No. 84  
 Federal Power Commission Order )  
 No. 174-B (Pan American Con- )  
 tract No. 18,196) )

Secretary  
 Federal Power Commission  
 Washington 25, D. C.

Dear Sir:

This filing is made subject to all of the reservations set out in the Application for a Certificate of Public Convenience and Necessity in Docket No. G-4904 and in the original filing of the captioned contract as an Initial Rate Schedule. Pan American denies that it is a natural gas company under the Natural Gas Act or that it is subject to the jurisdiction of the Commission with respect to the transaction referred to herein, but in compliance with the regulations of the Commission submits this notice of a change in price.

Pursuant to Order No. 197 issued by the Commission on May 23, 1957, the following is submitted:

1. This filing is submitted pursuant to Commission Order No. 197 to reflect 65% reimbursement of the Kansas gas severance tax of 1% effective July 1, 1957 levied on producers by act of the Kansas Legislature in House Bill No. 383.

2. Such reimbursement is provided by Article XII of the contract dated June 23, 1950, between Pan American Petroleum Corporation and Cities Service Gas Company

on file with the Commission and designated Pan American FPC Gas Rate Schedule No. 84.

3. A copy of this filing was served on the buyer as required by the Commission's Regulations on June 28, 1957.

4. Comparison of prices prior to and subsequent to such change in price (Cents per MCF):

Date	Base Price Per Mcf	Tax Reimbursement Per Mcf	Total Price Per Mcf
June 30, 1957	11¢	—0—	11¢
July 1, 1957	11¢	.0715¢	11.0715¢

Sales for 12 months ending March 31, 1957 58,489,163 Mcf.  
(on 14.65 # pressure base)

[fol. 650] This filing is being made under the compulsion of Order No. 174-B, which was issued without notice and a hearing. The undersigned believes that said order is subject to certain procedural defects and that, in some respects, it exceeds the authority delegated to the Commission by the Natural Gas Act and is, therefore, to that extent invalid. In addition, it is impossible, in this instance, for the undersigned to determine with certainty whether said order applies to it. The undersigned does not desire to incur the penalties which would be imposed upon it for violating those portions of the order which are of questionable meaning or of doubtful validity, especially in the event the order is ultimately determined to be definite or valid in those respects. Therefore, this filing is made under protest without prejudice to the undersigned's right to attack the validity of said order by pending or future proceedings before the Commission or in the courts, and nothing herein shall be deemed to constitute a waiver of said right. If it should be judicially determined that said order is invalid as to others in respects which are applicable to the undersigned, then the fact that the undersigned has, in the meantime, complied with said order shall not deprive it of its right thereafter to rely upon such determination.

This filing is made solely to comply with the provisions of Section 154.94 of Order No. 174-B. The undersigned reiterates that all contract prices and pricing provisions to which this notice refers are currently effective and operative under its contract and as parts of the initial Rate Schedule previously effective, filed with, and accepted by the Commission. A change in price pursuant to the provisions of said contract as constituted on the date of the initial filing thereof is not a "change" to the contract or Rate Schedule within the meaning of Section 4 of the Natural Gas Act, and is, therefore, not a "change in rate." The provisions of Section 154.94 or other sections of the rules, which purport to abrogate contract provisions, or require the filing of notices of "changes in rates" in such instances, are thus invalid to the extent that they are inconsistent with Section 4 of the Act. In transmitting this filing, the undersigned does not waive its objections to this requirement of the rules, or its right to raise such objection before the Commission or in the courts.

[fol. 651] This filing has no applicability to the prices and pricing provisions covered hereby to the extent that such prices and pricing provisions relate to sales of natural gas in intrastate commerce.

Please address all inquiries and correspondence in this matter to the following:

John F. Jones, Attorney  
511 South Boston Avenue  
Tulsa 3, Oklahoma

Respectfully submitted,

PAN AMERICAN PETROLEUM CORPORATION

By /s/ NORTON STANDEVEN  
Norton Standeven, Attorney  
P. O. Box 1654  
Oklahoma City 1, Oklahoma



[fol. 652]

Law Offices  
DOW, LOHNES and ALBERTSON  
Munsey Building  
Washington 4, D. C.

Telephone  
Sterling 3-1000.  
Cable "DOWLOHNES"

July 1, 1957

Honorable Joseph H. Gutride  
Secretary  
Federal Power Commission  
Washington 25, D. C.

Re: Supplement to Pan American Petroleum  
Corporation FPC Gas Rate Schedule No.  
84 (Pan American Contract No. 18,196)

Dear Mr. Gutride:

On behalf of Pan American Petroleum Corporation, we hand you herewith for filing an original and two copies of the Supplement to the company's above-captioned Rate Schedule. This Supplement is in the form of a letter of transmittal under date of June 28, 1957, and over the signature of Norton Standeven, Esquire. It is respectfully requested that this material be accepted and filed forthwith and that we be advised of the fact of such filing. The purpose of this Supplement is to make the changes occasioned by the effectiveness of the severance tax levied by the State of Kansas.

Should any further correspondence be necessary, kindly address same to John F. Jones, Esquire, Pan American Petroleum Corporation, 511 South Boston Avenue, Tulsa 3, Oklahoma, with copies to Norton Standeven, Esquire, Pan American Petroleum Corporation, P. O. Box 1654, Oklahoma City 1, Oklahoma, and to the writer hereof.

Very truly yours,

/s/ RICHARD B. McENTIRE  
Richard B. McEntire

encls

[fol. 653]

## EXHIBIT D TO ANSWER

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

I, Joseph H. Gutride, Secretary of the Federal Power Commission, and official custodian of the minutes of said Commission, do hereby certify that the attached page number 74065 is a true and correct copy of an excerpt from the Commission's minutes of July 24, 1957, and that the attached page number 74198 is a true and correct copy of sheet number 5 of Table 2 of Table IP No. 1314 referred to therein. In witness whereof I have hereunto subscribed my name and caused the seal of the Federal Power Commission to be affixed this 10th day of March, A.D., 1959, at Washington, D. C.

J. H. GUTRIDE  
Secretary

[SEAL]

[fol. 654]

74065

The Commission considered the rate filings identified on the attached Tables 1, 2 and 3, IP 1314, dated July 24, 1957, and accepted all of them. No effective date was specified for the supplements completing June 7, 1954 rate schedules listed on Lines 5, 7, 9, 11, 13, 15, 17, 19, 20, 22, 23, 25, 26, 28, 29, 31, 32, 34, 35, 70, 72, 74 and 76 of Table 2. Waiver of notice was granted, where necessary, to permit all rate schedules listed on Table 1 and all supplements listed on Table 2 not mentioned above, to become effective on the date shown in the "Effective Date" column of the respective tables. All rate schedules listed on Table 3 are to be redesignated as shown and waiver of notice was granted to permit all notices of succession on said table to become effective on the date shown in the "Effective Date" column. The filing companies are to be advised of this action by appropriate letters.

Thereupon, the Commission adjourned.

ATTEST:

/s/ FREDERICK STUECK  
Acting Chairman

/s/ J. H. GUTRIDE  
Secretary

[illegible]

JUL 24 1957

I. P. No. 1314

Table 20-3  
Sheet 5 of 7

AMOUNT OF MESSAGE (MESSAGE)	PERIOD EFFECTIVE DATE	EFFECTIVE DATE (WELDED) (OTHERWISE) (OBSERVED)	CORRESPONDENCE SERIAL NO. INITIALS
36	7-1-57	7-1-57	7149 JRM
13	7-1-57	7-1-57	7148 JRM
183	7-1-57	7-1-57	7151 JRM
4	7-1-57	7-1-57	7152 JRM
88	7-1-57	7-1-57	7149 JRM
24	7-1-57	7-1-57	7146 JRM
15	7-1-57	7-1-57	7148 JRM
9	7-1-57	7-1-57	7150 JRM
41,820	7-1-57	7-1-57	7151 JRM
17	7-1-57	7-1-57	7143 JRM
16	7-1-57	7-1-57	7145 JRM
7	7-1-57	7-1-57	7141

[fol. 656]

## EXHIBIT E TO ANSWER

Address all Communications  
to the Secretary

FEDERAL POWER COMMISSION  
Washington 25

AUG 19 1957

Pan American Petroleum Corporation  
511 South Boston Avenue  
Tulsa 3, Oklahoma

Gentlemen:

This is to advise you that the rate filings listed at the bottom of this letter have been accepted for filing, that notice is hereby waived to permit such rate schedule to be effective as of the date of filing or such later date as requested, as shown below.

In the event that any of the documents comprising the listed rate schedules contain provisions for future automatic adjustments in rates and charges based upon new or increased taxes, prices paid for gas by or to others, price re-determination provisions, or any similar provision, your attention is directed to the fact that such provisions, when invoked to change the effective rates and charges, will constitute a change in such rates and charges within the meaning of Section 4(d) of the Natural Gas Act and Section 154.94 of the Commission's Regulations under such Act as promulgated by this Commission's Order No. 174-B. The Act and the Commission's Rules require that such changes be filed with the Commission not more than 90 days nor less than 30 days prior to the proposed effective date thereof.

This acceptance for filing shall not be construed as a waiver of the requirements of Section 7 of the Natural Gas Act, as amended; nor shall it be construed as constituting approval of any rate, charge, classification, or any rule, regulation or practice affecting such rate or service contained in the rate filing; nor shall such acceptance be deemed as recognition of any claimed contractual right or obligation



associated therewith; and such acceptance is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against your company.

In future correspondence with the Commission concerning the rate schedules listed below, please refer to the FPC Gas Rate Schedule designation furnished you herewith, including the name of the independent producer and the rate schedule and supplement numbers.

By direction of the Commission.

/s/ J. H. Gutridge

J. H. Gutridge  
Secretary

[fol. 657]

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation		
		Pan American Petroleum Corporation		
		FPC Gas Rate Schedule No.	Supplement No.	Effective Date
Notice of Change 6-28-57	7-1-57	38	4	7-1-57
Notice of Change 6-28-57	7-1-57	46	4	7-1-57
Notice of Change 6-28-57	7-1-57	47	11	7-1-57
Notice of Change 6-28-57	7-1-57	48	2	7-1-57
[fol. 657]				
Notice of Change 6-28-57	7-1-57	49	2	7-1-57
Notice of Change 6-28-57	7-1-57	50	3	7-1-57
Notice of Change 6-28-57	7-1-57	52	4	7-1-57
Notice of Change 6-28-57	7-1-57	55	5	7-1-57
Notice of Change 6-28-57	7-1-57	84	80	7-1-57
Notice of Change 6-28-57	7-1-57	111	2	7-1-57
Notice of Change 6-28-57	7-1-57	143	3	7-1-57
Notice of Change 6-28-57	7-1-57	164	7	7-1-57

cc: Dow Lohnes and Albertson, Munsey Building, Washington 4, D. C.

Pan American Petroleum Corporation, P. O. Box 1654, Oklahoma  
City 1, Oklahoma

[fol. 657a] [File endorsement omitted]

Acknowledgment of service (omitted in printing).

[fol. 658]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE  
IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722, 1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

v.

PAN AMERICAN PETROLEUM CORPORATION,  
a corporation, Defendant.DEFENDANT'S MOTION FOR SUMMARY JUDGMENT—Filed  
June 8, 1959

Defendant hereby moves for summary judgment on plaintiff's claim.

The grounds for this Motion for Summary Judgment are that:

1. During the period from January 1, 1954, to July 16, 1954, the only lawful price for the sales of natural gas by defendant to plaintiff, referred to in the complaint herein, was either (a) fixed by an order of the State of Kansas, or (b) if the Kansas order was inapplicable during such period of time, then the only lawful price for such sales was prescribed by the Natural Gas Act (15 U.S.C.A. §§717(a) et seq.), and plaintiff does not base its claim upon either that Order or that Act; and,

2. During the period after July 16, 1954, the only lawful price for the sales of natural gas by defendant to plaintiff, referred to in the complaint herein, was fixed by a rate filed with and accepted by the Federal Power Commission, under its regulations prescribed under the Natural Gas Act, 15 [fol. 659] U.S.C.A. §§717(a) et seq., and plaintiff does not base its claim upon that filed rate.

This Motion for Summary Judgment is based upon the facts established by the pleadings and by plaintiff's answers to defendant's interrogatories and plaintiff's responses to



defendant's request for admissions to be filed in support hereof, and such other affidavits as are filed herein pursuant to the schedule fixed by the order entered herein on May 8, 1959.

Morris, Nichols, Arsht & Tunnell, James M. Tunnell, Jr., 3000 duPont Building, Wilmington, Delaware, Attorneys for Defendant.

June 8, 1959.

[fol. 660] [File endorsement omitted]

Acknowledgment of service (omitted in printing).

[fol. 661]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE  
IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722, 1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

v.

PAN AMERICAN PETROLEUM CORPORATION,  
a corporation, Defendant.

CERTIFIED COPIES OF OFFICIAL PAPERS—Filed June 22, 1959

In the manner provided by 10 Del. C., §4308, and by Rule 44 of the Rules of this Court, the defendant hereby introduces into the record of this cause the certified copies of papers attached hereto as Exhibits A through O hereof.

Morris, Nichols, Arsht & Tunnell, James M. Tunnell, Jr., 3000 duPont Building, Wilmington, Delaware, Attorneys for Defendant.

[fol. 662]

## EXHIBIT F

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

## C E R T I F I C A T I O N

I hereby certify that the attached eleven pages are true copies of a letter from Cities Service Gas Company dated February 5, 1957 to Federal Power Commission in the matter of Magnolia Petroleum Company, Proposed Rate Schedule No. 3 on file with this Commission.

This 19th day of Sept., 1958.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

/s/ J. H. GUTRIDE

Secretary

[Seal]

[fol. 663]

CITIES SERVICE GAS COMPANY  
First National Building  
Oklahoma City 1, Oklahoma

February 5, 1957

Federal Power Commission  
Washington 25, D. C.

Attention: Joseph H. Gutridge, Secretary  
100-2 Gas Cor.

In Re: Magnolia Petroleum Company  
Proposed Rate Schedule No. 3

Gentlemen:

Cities Service Gas Company, hereinafter called Prot-  
estant, objects to the acceptance by this Commission of  
Magnolia Petroleum Company's proposed F.P.C. Rate  
Schedule No. 3, and in support thereof submits the follow-  
ing:

1. The basic contract dated June 17, 1946, included as  
part of the aforesaid proposed rate filing, covers the sale  
of gas to Cities Service by Magnolia which the latter pro-  
duces within the Kansas-Hugoton Gas Field. Such contract  
specifies a price of 6¢ Mcf (16.4¢) for the first fifteen (15)  
years after the first delivery of gas thereunder, and such  
price of 6¢ Mcf is now the effective price payable by the  
terms of said contract. As indicated by Supplement No.  
26 of the proposed rate filing, the Kansas Corporation Com-  
mission issued an Order, effective January 1, 1954, which  
provided in substance for the attribution of a minimum  
wellhead price of not less than 11¢ Mcf (14.65¢) for all  
gas taken from the Kansas-Hugoton Gas Field. Within the  
time provided by statute and in accordance with the pro-  
visions of the statute, Cities Service filed its Petition for  
Judicial Review of the said Order, in the District Court  
of Finney County, Kansas, which said Court on May 14,  
1956 upheld and sustained the aforesaid Order of the  
Kansas Commission. Thereafter Cities Service appealed  
the judgment of the District Court to the Supreme Court

[fol. 664] of Kansas, which said Court on December 8, 1956 rendered its decision sustaining the judgment of the District Court of Finney County, Kansas. On January 18, 1957 Cities Service filed and served its Notice of Appeal From the Decision of the Kansas State Supreme Court to the United States Supreme Court. The record of the proceedings before the State Supreme Court is now in process of being designated and compiled, and within the time prescribed by law Cities Service will file such record and otherwise perfect its appeal in order that the said appeal may be duly docketed in the United States Supreme Court.

2. Under date of January 21, 1954 Cities Service, by letter, advised Magnolia Petroleum Company that pending final judicial determination of the validity of the aforesaid gas price fixing order and beginning January 1, 1954 it intended to pay for all gas purchased by it in the Kansas-Hugoton Field in strict compliance with the terms and conditions of said Order. Further that such compliance with said Order by Cities Service was made to avoid the penalties and actions provided by the Kansas Statutes for violation thereof, and that such payment made to Magnolia in compliance with said Order, pending a final judicial determination of the validity thereof, were to be considered and accepted by Magnolia as involuntary payments by Cities Service, without prejudice to its rights in said litigation and in no event as an acquiescence by it in the validity of said Order. Said letter further specifically provided that in event said Order is finally judicially modified or declared to be invalid, in whole or in part, as a result of which Cities Service has overpaid Magnolia for gas purchased from it during the period since the issuance and effective date of said Order, Cities Service would expect Magnolia to re-[fol. 665] fund to it any overpayments made by plaintiff during such interim. A true and correct copy of such letter is hereto attached. As is evidenced by such letter and the endorsements on checks for gas payments, as hereinafter set out, Protestant at no time has agreed that the Kansas Minimum Price Order is valid.

3. Since January 1, 1954, the effective date of said Kansas Gas Price Fixing Order, and up to and including July 22, 1955, Cities Service paid to Magnolia, upon the terms and conditions set out in the letter above referred to, for all gas purchased, delivered and received under the contract aforesaid the price of 11¢ Mef (14.65¢) and on each check issued by Cities Service to Magnolia during such period for the payment of such purchased gas or on the stub or voucher attached and a part thereof the following endorsement was made and appears, namely: "In full settlement of gas purchased for the period ending (date monthly period ended stated), subject to the provisions of letters dated August 25, 1953 and January 21, 1954, with reference to gas purchased in Kansas." During the period aforesaid Magnolia accepted and cashed each of the checks issued by Protestant for the payment of gas carrying such endorsements, and the same were paid upon presentation. The acceptance of such payments, under the conditions hereinabove outlined, constitutes a valid and subsisting agreement by Magnolia to make the refunds in accordance with Protestant's letter to Magnolia dated January 21, 1954 (Exhibit A) (*Edwards v. Goldenmeister*, 61 Kan. 141, 59 Pac. 259; *Brownson v. Perry, et al*, 71 Kan. 578, 81 Pac. [fol. 666] 197; *Belden Mfg. Co. v. Curtis-Wright Airplane Co.*, 137 Kan. 840, 22 Pac. 2d 494; *Baker v. Jones*, 141 Kan. 240, 40 P. 2d 346; *Fey v. Loose-Wiles Biscuit Co.*, 147 Kan. 31, 75 P. 2d 810; and *Caterpillar Tractor Co. v. Sickler*, 149 Kan. 457, 87 P. 2d 503). Magnolia has failed to include in its proposed rate schedule filing a copy of Protestant's letter of January 21, 1954, aforesaid, and to set out the conditions under which each payment check was delivered, even though the same constitute a valid and subsisting agreement between Magnolia and Protestant which is a supplement or amendment to the base contract that has been tendered for filing.

4. On November 30, 1955 Protestant filed an action against Magnolia Petroleum Company in the United States

<sup>1</sup> The letter of August 25, 1953, referred to in the above endorsement, is immaterial to any issue in this proceeding.

District Court for the District of Kansas in the nature of a declaratory judgment action to determine the application and validity of the Kansas Minimum Price Order aforesaid, and further praying for judgment against Magnolia for the amount of all overpayments for gas which Protestant had theretofore made. At the time of the filing of such action, by Order of the Court, Protestant paid into the aforesaid Court the amount of money representing payments for gas delivered from July 23, 1955 to the date of the filing of such action, at 11¢ Mef (the amount fixed by the Kansas Minimum Price Order) and since the filing of such action Protestant has been paying into Court monthly payments at the rate of 11¢ Mef. By stipulation of the parties to such litigation the Clerk of the aforesaid Court has paid and is paying to Magnolia currently an amount representing the contract price of 6¢ Mef (16.4¢) and the balance of the moneys being paid by Protestant to such Court are being impounded in the Registry of the said Court pending final judgment in such action. The said [fol. 667] Court has entered an order staying this action until the further order of the Court, and to date the Court has made no further order. All payments to the Clerk of the United States District Court above mentioned have been made by voucher checks which have contained the following:

"In full payment for gas purchased by Cities Service Gas Company from Magnolia Petroleum Company under subsisting gas purchase contract dated June 17, 1946, covering period from (here is inserted monthly period covered), both inclusive, computed at a price of 11¢ and on a pressure base of 14.65 p.s.i.a. as authorized by Court Order dated November 30, 1955, in case of Cities Service Gas Company v. Magnolia Petroleum Company, District Court of the United States, District of Kansas, Civil Action No. W-1995."

5. In its proposed rate schedule filing Magnolia has tendered an Interim Order dated February 18, 1949 (Supplement No. 18), and an Order and Memorandum Opinion dated December 2, 1953, by the State Corporation

Commission of Kansas (Supplement No. 26) and thereby seeks to establish a price of 11¢ Mcf (14.65 psia.) as its effective rate covering the sale of gas to Protestant under the basic contract between Magnolia and Protestant. Protestant respectfully submits that the aforesaid price orders and each of them are wholly void, ab initio, are of no legal force and effect, and do not constitute any part of Protestant's contract with Magnolia and cannot operate to change or amend the price of gas as contained in the aforesaid basic contract. In the recent cases of *Natural Gas Pipeline Company of America v. Panoma Corporation, et al*, and *Natural Gas Pipeline Company of America v. Corporation Commission of State of Oklahoma, et al*, 349 U.S. 44, 99 L. Ed. 866, the United States Supreme Court passed upon the validity of a state minimum gas price fixing order issued by the Oklahoma Corporation Commission, which said order is similar, if not identical, to the orders of the Kansas Corporation Commission which Magnolia has tendered for filing as a part of its proposed rate [fol. 668] schedule. In such cases, construing the Natural Gas Act, the Court said:

"In these cases Oklahoma has attempted to fix a minimum price to be paid for natural gas, after its production and gathering had ended, by a company which transports the gas for resale in interstate commerce. We held in *Phillips Petroleum Company v. Wisconsin*, 347 U.S. 672, 98 L. Ed. 1035, that such a sale and transportation cannot be regulated by a state but are subject to the exclusive regulation of the Federal Power Commission. The Phillips case, therefore, controls this one.

"We disagree with the contention of Appellees that *Cities Service Gas Company v. Peerless Oil and Gas Company*, 340 U.S. 179, 95 L. Ed. 190, and *Phillips Petroleum Co. v. Oklahoma*, 340 U.S. 190, 95 L. Ed. 204, are applicable here. In those cases we were dealing with Constitutional questions and not the construction of the Natural Gas Act. The latter question was specifically not passed upon in those cases. Reversed."



Protestant is informed that the sales of gas in the above cited cases were sales made after production and gathering had been concluded and after producers had processed such gas, same being sold as residue gas. The sales of gas by Magnolia to Protestant here involved are identical to those in the cases above cited in that such gas is sold and delivered by Magnolia to Protestant after the same has been produced, gathered and processed by Magnolia Petroleum Company.

6. The similarity of the Kansas Minimum Gas Price-fixing Orders above referred to and the Oklahoma Minimum Gas Price-fixing Orders involved in *Natural Gas Pipeline Company of America v. Panoma Corporation* and *Natural Gas Pipeline Company of America v. Oklahoma Corporation Commission*, supra, can best be illustrated by quoting the material and essential provisions of each of such orders. The Kansas Commission Order of December 2, 1953, which [fol. 669] Magnolia has tendered for filing, reads in part:

"That all persons; firms or corporations which take gas or cause gas to be taken from the Hugoton Gas Field in Kansas on or after January 1, 1954, 12:01 A.M., shall, as a condition precedent for withdrawal from the common source of supply, pay or attribute to all gas taken, except gas for the operations of leases, for all purposes including payments to producers, landowners, leaseowners and royalty owners, the fair and reasonable minimum price of not less than eleven cents (11¢) per Mcf. (14.65# psia.) at the wellhead until further order or orders of this Commission."

The most recent minimum gas price fixing order of the Oklahoma Corporation Commission and which was construed in the cases last hereinabove cited, reads in part as follows:

"That no gas shall be produced from any well located in the Guymon-Hugoton Field of Oklahoma except at a price of not less than 9.8262¢ per thousand cubic feet if sold at the wellhead or on the lease or drilling unit from which produced, or a price equivalent to not less

than 9.8262¢ per thousand cubic feet at the wellhead if sold off the lease or drilling unit or otherwise utilized. If the gas is sold during or upon conclusion of gathering without being processed for the extraction of liquid hydrocarbons, the price shall be not less than 9.8262¢ per thousand cubic feet plus the reasonable cost of gathering. If the gas is processed for extraction of liquid hydrocarbons and sold during or at the conclusion of gathering, the price for the residue gas shall be not less than 9.8262¢ per thousand cubic feet."

7. In its attempt to comply with the provisions of Order 174-B of this Commission, Magnolia Petroleum Company has tendered for filing two copies of a billing statement for the month of June, 1954, which purports to show how the billing amount had been determined on and since June 7, 1954. Protestant specifically objects to the acceptance of such billing statement for the reason that the same wholly failed to show the conditions under which payment was made for the period covered by such billing statement, namely, Protestant's letter to Magnolia dated January 21, 1954 and the endorsements upon the checks accepted by [fol. 670] Magnolia. Such billing statement further contained thereon the statement, "subject to pending claims for additional amounts due seller for gathering." This statement was not contained upon the billing statement issued by Protestant to Magnolia but appears to have been added thereon after the same was received by Magnolia.

8. Protestant respectfully submits that the proposed Rate Schedule tendered for filing by Magnolia (F.P.C. No. 3) should be rejected in its entirety because it does not comply with Commission's Order 174-B, which Order specifically requires the filing of the basic contract covering the sale of natural gas and *all* supplements or agreements amendatory thereof effective and applicable on and after June 7, 1954. Magnolia wholly has failed to file Protestant's letter dated January 21, 1954 (Exhibit A) which, when construed in the light of endorsements on all checks in payment for gas since said date, constitutes an agreement binding upon Magnolia which is amendatory of the said contract

effective on and after June 7, 1954, within the purview of Commission's Order 174-B. If this Commission does not reject the proposed rate filing in its entirety, then Protestant respectfully submits that the following parts of such filing should be rejected, namely, the Interim Order dated February 18, 1949 of the State Corporation Commission of Kansas (proposed Supplement No. 18), the Commission's Order and Memorandum Opinion dated December 2, 1953 by the State Corporation Commission of Kansas (proposed Supplement No. 26), and the two copies of the billing statement for the month of June, 1954, for all of the reasons heretofore urged.

9. Protestant further respectfully submits that, as shown by the above and foregoing statement of facts, the legal rate or price for gas under the basic contract which has [fol. 671] been tendered for filing, at June 7, 1954, and at all times thereafter and now, is 6¢ Mcf. on a 16.4# pressure base, and therefore this Protestant specifically objects to the acceptance, for filing, of any rate schedule in excess of the contract or legal price of 6¢ Mcf. on the basis of measurement set out in said contract.

10. Protestant further respectfully submits that, in the event this Commission does not reject the proposed filing in its entirety, this Commission should reject the portions of such filing described in the paragraph above or that this Commission should defer all action with reference to the acceptance of the proposed Rate Schedule, or any part thereof, until the litigation now pending concerning the validity of the Kansas Commission's Order of December 2, 1953 has been judicially determined, for the reason that it is not within the province of this Commission to determine the legal issues that are now presented in such litigation and that until such litigation has been concluded this Commission cannot determine the effective price at June 7, 1954 and now, and therefore cannot determine the legal rate for the purpose of the proposed filing (see *J. Edward Jones v. Securities and Exchange Commission*, 298 U.S. 1, 80 L. Ed. 1015).

11. Protestant further submits that when and if this Commission shall accept for filing the presently proposed,

or any rate schedule which Magnolia may tender in substitution therefor, that the same may not be made effective retroactively but pursuant to the provisions of Section 154.22 of the Commission's Rules and Regulations may become effective not less than thirty days from the filing thereof. Protestant therefore respectfully requests that [fol. 672] when and if this Commission shall accept the rate schedule which Magnolia has tendered for filing with such exclusions and additions thereto as the Commission may direct to be made that the same be accepted and made effective not less than thirty days from the filing thereof.

12. A copy of this letter has been served upon Magnolia Petroleum Company by mail addressed to each of the following:

R. D. Hanley, Vice President  
Magnolia Petroleum Company  
P. O. Box 900  
Dallas 21, Texas

W. S. Richardson, Attorney  
Magnolia Petroleum Company  
P. O. Box 900  
Dallas 21, Texas.

Very truly yours,

CITIES SERVICE GAS COMPANY

By /s/ G. C. ROTH  
Vice President

[fol. 673]

## EXHIBIT A

Cities Service Gas Company  
First National Building  
Oklahoma City 1, Oklahoma

January 21, 1954

Magnolia Petroleum Company  
P. O. Box 900  
Dallas, Texas

Gentlemen:

The State Corporation Commission of the State of Kansas by Order dated December 2, 1953, in Docket No. 44079-C (C-3216) directed that on and after January 1, 1954, as a condition precedent for withdrawal of gas from the Hugoton Gas Field in Kansas, there shall be paid therefor or attributed thereto, at the wellhead, a minimum price of not less than eleven cents (11¢) per M.c.f. (14.65 pounds p.s.i.a.).

Cities Service Gas Company and certain other parties filed Petitions in the District Court of Finney County, Kansas, for a judicial review of the said Order.

Pending final judicial determination of the said Order and beginning January 1, 1954, Cities Service Gas Company intends to pay for all gas purchased by it in the Kansas Hugoton Field in strict compliance with the terms and conditions of the said Order. Such compliance with said Order of this Company, however, is made to avoid the penalties and actions provided by the Kansas statutes for a violation thereof, and the payments made to you in compliance with said Order pending its final judicial determination are to be considered and accepted by you as involuntary payments on our part, without prejudice to our rights in said litigation, and in no event as an acquiescence by us in the validity of said Order.

In the event the said Order is finally judicially modified or declared to be invalid in whole or in part, as a result of which you have been overpaid for gas purchased during

the interim aforesaid, Cities Service Gas Company will expect you to refund to it the amount of said overpayments.

Very truly yours,

/s/ G. C. Roth  
G. C. Roth  
Vice President

GCR:hl

[fol. 674]

EXHIBIT G

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

CERTIFICATION

I hereby certify that the attached eight pages are true copies of a letter from Cities Service Gas Company, dated February 26, 1957 to Federal Power Commission in the matter of Magnolia Petroleum Company on file with this Commission.

This 19th day of Sept., 1958.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME, Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

/s/ J. H. GUTRIDE

Secretary

[Seal]

[fol. 675]

Received  
Feb 26 4 42 PM '57  
Federal Power Commission

Official File Copy  
To Init. Date  
RGC DM 3/27  
Central Files

[Emblem]

CITIES SERVICE GAS COMPANY  
FIRST NATIONAL BUILDING  
OKLAHOMA CITY 1, OKLAHOMA

February 26, 1957

Federal Power Commission  
Washington 25, D.C.

Attention: J. H. Gutride, Secretary

Gentlemen:

100-2 Gas Cor.  
Re: Magnolia Petroleum Company  
Proposed Rate Schedule No. 3

Cities Service Gas Company (hereinafter called "Protestant") hereby respectfully protests the acceptance by this Commission of F.P.C. Rate Schedule No. 3 of Magnolia Petroleum Company (hereinafter called "Magnolia"), as supplemented and retendered by Magnolia under date of February 18, 1957. In support of this protest, Protestant respectfully submits the following:

(1) Protestant hereby renews and incorporates as a part hereof, by reference to the files of the Commission, its prior protest to the subject rate schedule dated February 5, 1957.

(2) The aforesaid proposed rate schedule contains, as Supplements Nos. 18 and 26, two minimum price orders



of the State Corporation Commission of Kansas and thereby seeks to establish a price of 11c per Mcf as its filed rate. Protestant respectfully submits that as applied to its operations, the aforesaid minimum price orders are wholly void *ab initio* and of no legal force and effect, and do not constitute an appropriate supplement to the base contract of April 24, 1953, and, therefore, cannot operate to change or amend the price for gas as contained in the aforesaid basic contract.

In the recent case of *Natural Gas Pipeline Company of America v. Panoma Corporation, et al.*, 349 U.S. 44, 99 L. Ed. 866, the United States Supreme Court held invalid certain minimum price orders issued by the Oklahoma Corporation Commission. Those orders are similar, if not identical, to the orders of the Kansas Corporation Commission which have been tendered for filing by Magnolia as a part of its proposed rate schedule. In the *Panoma* case, the Court said:

"In these cases Oklahoma has attempted to fix a minimum price to be paid for natural gas, after its production and gathering had ended, by a company which [fol. 676] transports the gas for resale in interstate commerce. We held in *Phillips Petroleum Company v. Wisconsin*, 347 U.S. 672, 98 L. Ed. 1035, that such a sale and transportation cannot be regulated by a state but are subject to the exclusive regulation of the Federal Power Commission. The *Phillips* case, therefore, controls this one.

"We disagree with the contention of Appellees that *Cities Service Gas Company v. Peerless Oil and Gas Company*, 340 U.S. 179, 95 L. Ed. 190, and *Phillips Petroleum v. Oklahoma*, 340 U.S. 190, 95 L. Ed. 204, are applicable here. In those cases we were dealing with Constitutional questions and not the construction of the Natural Gas Act. The latter question was specifically not passed upon in those cases. Reversed."

Protestant is informed that the sales of gas in the above cited cases were sales made after production and gathering had been concluded and after producers had processed

such gas, same being sold as residue gas. The sales of gas by Magnolia to Protestant here involved are identical to those in the cases above cited in that such gas is sold and delivered by Magnolia to Protestant after the same has been produced, gathered and processed by Magnolia Petroleum Company.

(3) The similarity of the Kansas minimum price orders and the Oklahoma minimum price orders can best be illustrated by quoting the material and essential provisions of the orders of the two States. The Kansas order (Supplement No. 26) reads, in pertinent part, as follows:

"That all persons, firms or corporations which take gas or cause gas to be taken from the Hugoton Gas Field in Kansas on or after January 1, 1954, 12:01 A.M., shall, as a condition precedent for withdrawal from the common source of supply, pay or attribute to all gas taken, except gas for the operations of leases, for all purposes including payments to producers, landowners, leaseowners and royalty owners, the fair and reasonable minimum price of not less than eleven cents (11¢) per Mcf. (14.65# psia.) at the wellhead until further order or orders of this Commission."

The Oklahoma order which was construed in the *Panoma* case, *supra*, reads, in pertinent part, as follows:

"That no gas shall be produced from any well located in the Guymon-Hugoton Field of Oklahoma except at a price of not less than 9.8262¢ per thousand cubic feet [fol. 677] if sold at the wellhead or on the lease or drilling unit from which produced, or a price equivalent to not less than 9.8262¢ per thousand cubic feet at the wellhead if sold off the lease or drilling unit or otherwise utilized. If the gas is sold during or upon conclusion of gathering without being processed for the extraction of liquid hydrocarbons, the price shall be not less than 9.8262¢ per thousand cubic feet plus the reasonable cost of gathering. If the gas is processed for extraction of liquid hydrocarbons and sold during or at the conclusion of gathering, the price for the residue gas shall be not less than 9.8262¢ per thousand cubic feet."

Protestant has appealed the Kansas Minimum Price Order to the United States Supreme Court, as is hereinafter more fully set out. It is respectfully submitted that in view of the *Panoma* decision, the Kansas Minimum Price Order will in all probability also be declared invalid.

(4) Continuously since the issuance of the Kansas minimum price order of December 2, 1953 (Supplement No. 26), Protestant has contested the validity of said order not only by notice to Magnolia, as evidenced by the aforementioned letter of January 21, 1954, but has sought judicial review of said order in the District Court of Finney County, Kansas, and by appeal to the Kansas State Supreme Court. On January 18, 1957, Protestant, having received an adverse decision by the Kansas State Supreme Court, filed and served its notice of appeal to the United States Supreme Court. Protestant has now perfected the said appeal and anticipates an early decision thereon.

(5) Magnolia has now tendered for filing as a part of its proposed rate schedule a copy of the letter from Protestant to Magnolia dated January 21, 1954, prescribing the conditions under which Protestant would make payments for gas. In its tender of the copy of such letter, Magnolia specifically denies that the said letter constituted any agreement on its part to refund moneys to Protestant, and makes the express reservation and denial that the said letter constituted any part of Magnolia's initial rate schedule. At no time, however, after receipt of the said letter, did Magnolia reply thereto and indicate that it was not accepting payments for gas under the conditions prescribed in said letter. On the contrary, it accepted coupon checks each month in payment for gas which contained the specific condition that payment was being made "In full settlement of gas purchased for the period ending (date monthly period ended stated), subject to the provisions of letters dated August 25, 1953 and January 21, 1954, with reference to gas purchased in Kansas."

[fol. 678] Under the applicable law, it is apparent that the acceptance by Magnolia of such checks under the conditions above outlined and the appropriation of the proceeds thereof, without qualification, constitutes an acceptance of the aforementioned terms upon which Protestant made pay-

ments. Such action constituted an agreement by Magnolia to make repayment in accordance with the terms of the letter of January 21, 1954. As is stated in *Autographic Register Co. v. Phillips Hano Company, Inc.*, 198 F. 2d 208, 212:

"Furthermore, silent acceptance of a check sent in payment of a disputed claim, even in the absence of a finding of mental assent, is now generally held by parity of reasoning to constitute an accord and satisfaction of the claim; (citing *Decker v. George W. Smith & Company*, 88 N.J.L. 630, 96 Atl. 915, wherein) it is said that 'the great and increasing weight of authority in the United States, as a matter of law regards the use and retention of the check by the creditor, with knowledge of the condition, as assent to it. It is said that the acceptance of the check necessarily involves an acceptance of the condition upon which it was tendered.'"

Numerous other cases could be cited in support of the above proposition of law, a few of which include *Burger v. The First National Bank of Anthony*, 124 Kan. 23, 257 P. 979; *Turner v. George Rushton Baking Co.*, 139 Kan. 425, 32 P. 2d 211; *Caterpillar Tractor Co. v. Sickler*, 149 Kan. 457, 87 P. 2d 503; *Baker v. Jones*, 141 Kan. 240, 40 P. 2d 346.

(6) Protestant respectfully submits that in order for Magnolia's rate filing to show all the terms and conditions "affecting or relating" to its proposed rate or charge as required by section 154.93 of the Commission's Rules, this Commission should require Magnolia to file, as a part of its proposed rate schedule, not only a copy of Protestant's letter of January 21, 1954, which it was alternatively directed to file, but also a specimen of the coupons attached to the checks received by it in payment for gas for the period January 1, 1954 to July 23, 1955, each of which coupons, as stated above, contained the statement that such payment was being made under the conditions of Protestant's letter of January 21, 1954. A specimen of such coupon check is attached hereto and made a part hereof.

(7) On November 30, 1955, Protestant filed an action against Magnolia Petroleum Company in the United States

District Court for the District of Kansas in the nature of a declaratory judgment action to determine the application and validity of the Kansas Minimum Price Order aforesaid, and further praying for judgment against Magnolia for the amount of all overpayments for gas which Protestant [fol. 679] had theretofore made. At the time of the filing of such action, by Order of the Court, Protestant paid into the aforesaid Court the amount of money representing payments for gas delivered from July 23, 1955 to the date of the filing of such action, at 41¢ per Mcf (the amount fixed by the Kansas Minimum Price Order), and since the filing of such action Protestant has been and is now paying into Court monthly payments at the rate of 11¢ per Mcf. By stipulation of the parties to such litigation, the Clerk of the aforesaid Court has paid and is paying to Magnolia an amount representing the contract price of 6¢ per Mcf (16.4¢). The balance of the money being paid by Protestant to such Court is being impounded in the Registry of the Court pending final judgment in the case.

(8) In connection with this Protest, attention is invited to the action of this Commission in connection with the tender for filing on February 13, 1956, by Phillips Petroleum Company, as Supplement No. 21 to its F.P.C. Rate Schedule No. 5, of a copy of the Oklahoma Minimum Price Order dated July 29, 1952. This supplement was accepted by the Commission for filing by letter dated March 9, 1956. Thereafter, pursuant to a protest by Panhandle Eastern Pipe Line Company, the Commission, on April 25, 1956, rescinded its prior acceptance of the aforesaid supplement and rejected the same, citing as its reason therefor that the filing was unilateral in nature and as such had no standing as a rate change under Section 4(d) of the Natural Gas Act. In reply to a letter from Phillips dated July 11, 1956, the Commission, on August 10, 1956, advised Phillips that:

"In reviewing this matter, question has arisen as to whether Phillips' filing on February 13, 1956 of the Oklahoma minimum price order as Supplement No. 21, was inconsistent with the agreement for conditional payments by Panhandle Eastern, previously accepted as Supplement No. 10. Said Supplement No. 10, com-

prising a letter agreement dated September 8, 1952, provides that Panhandle Eastern would pay Phillips the price stated in the minimum price order, conditioned, however, upon Phillips' agreement to repay the difference between the contract price and the higher price prescribed by the State minimum price order if the order was thereafter declared invalid. Phillips agreed to such conditional payment. The Oklahoma minimum price order was declared invalid by the U.S. Supreme Court in April 1955."

In the instant case Magnolia Petroleum Company likewise has, by its acceptance of payment upon the condition on which such payment was tendered by Cities Service Gas Company, agreed to repay the difference between the contract price and the higher price prescribed by the minimum price order, if such order was thereafter declared invalid. [fol. 680] We respectfully submit, therefore, that the action of the Commission as regards the Phillips filing is a clear precedent for rejecting that part of Magnolia's proposed filing containing the Kansas Minimum Price Order.

(9) Magnolia has included as a part of its proposed rate filing two copies of a billing statement for the month of June, 1954 which purport to show the payment of 11¢ per Mcf as prescribed by the latest Kansas Minimum Price Order. Protestant specifically objects to the acceptance of such billing statement for the reason that the same wholly fails to show the terms and conditions under which payment was made for the period covered by such billing statement, as required by section 154.93 of the Commission's Rules.

(10) Protestant further submits that the legal rate or price for gas sold under the basic contract has, since June 7, 1954, been, and is now, 6¢ per Mcf on a 16.4# pressure base. This Protestant, therefore, specifically objects to the acceptance for filing of any rate schedule in excess of the contract or legal price of 6¢ per Mcf on the basis of measurement as set out in said contract.

(11) Protestant respectfully submits that, in view of the foregoing the proposed rate schedule as now tendered for



filing by Magnolia (F.P.C. Rate Schedule No. 3) should again be rejected in its entirety. In the event this Commission does not reject the tendered filing in its entirety, then Protestant respectfully urges this Commission to accept only the base contract of April 24, 1953, and withhold action upon the acceptance or rejection of the remainder of the proposed rate filing until final determination of Protestant's appeal to the United States Supreme Court (*Cities Service Gas Company v. Kansas Corporation Commission*) and final determination of the proceedings in the United States District Court for the District of Kansas, Civil Action No. W-1995 (*Cities Service Gas Company v. Magnolia Petroleum Company*). Until those proceedings are concluded, this Commission cannot determine with finality the effective price payable under said contract and, therefore, cannot now determine the legal rate for the purpose of the proposed filing (*J. Edward Jones v. Securities and Exchange Commission*, 298 U.S. 1, 80 L. Ed. 1015) (See also *Phillips Petroleum Company v. Federal Power Commission*, 227 F. 2d 470). Protestant further respectfully submits that, if the proposed rate filing or any part thereof is accepted for filing, the same should become effective no sooner than thirty (30) days after the acceptance thereof.

(12) In the event the Commission does accept for filing the Kansas Minimum Price Orders, then Protestant urges that, in order to protect Protestant's rights, such acceptance be specifically conditioned on the express understanding that the acceptance of such orders is conditional and is without prejudice to the rights of Protestant in the aforementioned pending litigation against Magnolia, and is effective only if the Kansas Minimum Price Orders are found to be valid as applied to Protestant's operations in the proceedings now pending in the United States Supreme Court wherein *Cities Service Gas Company* is appellant and the *State Corporation Commission* is appellee, and not otherwise.

Respectfully submitted,

CITIES SERVICE GAS COMPANY

By /s/ O. R. STITES

O. R. Stites, Attorney



648

[fol. 682]

V. R.

CITIES SERVICE GAS COMPANY 2-24-54 C. R.  
OKLAHOMA CITY, OKLA.

Net Amount

In full settlement of gas purchased for the  
period ending 1-22-54, subject to provisions  
of letters dated 8-25-53, and 1-21-54 with  
reference to gas purchased in Kansas.

192,605.34

VOUCHER NO.

CHECK NO.  
12581

CITIES SERVICE GAS COMPANY  
OKLAHOMA CITY, OKLAHOMA

Feb 25 1954

THE CHASE NATIONAL BANK OF THE  
CITY OF NEW YORK  
1-74 NEW YORK, N. Y.

Pay ONE HUNDRED NINETY TWO THOUSAND  
SIX HUNDRED FIVE AND 34/100 \$192,605.34

IN FULL SETTLEMENT OF ACCOUNT AS SHOWN IN  
ACCOMPANYING VOUCHER

SPECIMEN

TO  
THE  
ORDER  
OF

MAGNOLIA PETROLEUM COMPANY  
P. O. Box 900  
DALLAS, TEXAS

CITIES SERVICE GAS COMPANY

/s/ C. J. MARTIN

/s/ A. C. KLEINSCHMIDT

COUNTERSIGNATURE REQUIRED WHEN DRAWN FOR  
MORE THAN \$200.00

[fol. 683]

## EXHIBIT H

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

## CERTIFICATION

I hereby certify that the attached two pages are true copies of an ORDER ACCEPTING RATE SCHEDULE FOR FILING issued March 21, 1957 in the matter of Magnolia Petroleum Company on file with this Commission.

This 19th day of Sept., 1958.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

/s/ J. H. GUTRIDE

Secretary

[Seal]

[fol. 684]

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

Before Commissioners: Jerome K. Kuykendall, Chairman;  
Seaborn L. Digby, Frederick  
Stueck, William R. Connole and  
Arthur Kline.

In the Matter of — 100-2 GAS COR.  
Magnolia Petroleum Company

ORDER ACCEPTING RATE SCHEDULE FOR FILING

(Issued March 21, 1957)

Magnolia Petroleum Company (Magnolia) on February 19, 1957, retendered for filing as a rate-schedule effective on June 7, 1954, for sales of natural gas to the Cities Service Gas Company (Cities Service), its basic contract dated June 17, 1946, together with various supplements or amendments thereto, which have been respectively designated as Magnolia's FPC Gas Rate Schedule No. 3, and Supplements Nos. 1 through 27 thereto. Magnolia proposes an effective date of January 14, 1957, for the retendered filing.

The Commission previously rejected a tendered filing of Magnolia for this sale as incomplete in that Magnolia did not submit a letter of January 21, 1954, from Cities Service conditioning the payments at the rate of 11¢ per Mef upon the validity of the Kansas Corporation Commission Minimum Price Order and with expectation of a refund from Magnolia if the order was invalid.<sup>1</sup> Magnolia has now included such letter of conditional payment. The retendered filing also includes three Kansas State Corporation Commission Orders setting a minimum price of 11¢ per Mef at 14.65 psia for gas sold from the Hugoton Field.

Cities Service objects to the filing on the grounds that the Kansas Minimum Price Order is similar to the Okla-

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<sup>1</sup> Cities Service is contesting the validity of the Kansas order in the courts.

homa Minimum Price Order heretofore found by the courts to be invalid; that Magnolia should file a copy of the monthly payment check received from Cities Service showing the conditions under which the payment is made; and that Magnolia should not make any reservations in filing, inasmuch as acceptance of the check shows acceptance of the conditions of payment. Cities Service requests that any acceptance of the filing be conditioned as being without prejudice to the rights of Cities Service in pending litigation and the rate is effective only if the Kansas Minimum Price Orders are found to be valid.

[fol. 685] *The Commission finds:*

Good cause has been shown that Magnolia's FPC Gas Rate Schedule No. 3, and Supplements Nos. 1 through 27 thereto, be accepted for filing; subject, however, to the express condition that such acceptance is without prejudice to any claims or contentions which have been made by or for Magnolia Petroleum Company or by or for Cities Service Company in pending litigation concerning this particular sale of gas.

*The Commission orders:*

(A) Magnolia's FPC Gas Rate Schedule No. 3, and Supplements Nos. 1 through 27 thereto are accepted for filing; subject, however, to the express condition that such acceptance is without prejudice to any claims or contentions which have been made by or for Magnolia Petroleum Company or by or for Cities Service Company in pending litigation concerning this particular sale of gas.

(B) Nothing contained in this order shall be construed as a waiver of the requirements of Section 7 of the Natural Gas Act; nor shall it be construed as constituting approval by the Commission of any service, rate, charge, classification, or any rule, regulation, or practice affecting such service or rate provided for in the above-described rate schedule, nor shall this order be deemed as recognition of any claimed contractual right or obligation affecting or relating to such service or rate.

(C) This order is without prejudice to any findings or order which has been or may hereafter be made by this Commission in any proceeding now pending, or hereafter instituted by or against Magnolia Petroleum Company.

By the Commission.

J. H. GUTRIDE

Joseph H. Gutride,  
Secretary.

[fol. 686]

# EXHIBIT I

## UNITED STATES OF AMERICA FEDERAL POWER COMMISSION

### CERTIFICATION

I hereby certify that the attached fifteen pages are true copies of a letter dated April 17, 1957 in the matter of Magnolia Petroleum Company's Rate Schedule No. 3 and Supplements thereto, transmitting the "Application of Cities Service Gas Company for Rehearing" in the matter of Magnolia Petroleum Company on file with this Commission.

This 19th day of Sept., 1958.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

/s/ J. H. GUTRIDE  
Secretary

[Seal]

[fol. 687]

Received  
Apr 18 2 51 PM '57  
Federal Power Commission

[emblem]

CITIES SERVICE GAS COMPANY  
FIRST NATIONAL BUILDING  
OKLAHOMA CITY 1, OKLAHOMA

CONRAD C. MOUNT

VICE PRESIDENT AND GENERAL COUNSEL

April 17, 1957

Federal Power Commission  
Washington, D. C.

100-2 GAS COR

Attention: Joseph H. Gutride, Secretary  
Re: Magnolia Petroleum Company's  
Rate Schedule No. 3 and Supple-  
ments thereto.

Dear Sirs:

Transmitted herewith are twenty copies of Cities Service Gas Company's Petition for Rehearing in the above entitled matter.

Magnolia Petroleum Company has been served with a copy of this petition by mailing the same on April 17, 1957 to Magnolia Petroleum Company, P. O. Box 900, Dallas 21, Texas, attention of Ross Madole, as is shown by the Certificate of Service set out in the copy of the petition marked "Certificate of Service Included."

Very truly yours

/s/ CONRAD C. MOUNT

CCM:M  
Encls.

[Stamp]  
Official File Copy  
To Init. Date  
Docket GB 5-15  
Central Files

[fol. 688]

UNITED STATES OF AMERICA  
BEFORE THE FEDERAL POWER COMMISSION

Received  
Apr 18 2 32 PM '57  
Federal Power Commission

In the Matter of  
Magnolia Petroleum Company

100-2 GAS COR.

APPLICATION OF CITIES SERVICE  
GAS COMPANY FOR REHEARING

Cities Service Gas Company (hereinafter referred to as "Gas Company") respectfully petitions the Commission, pursuant to Section 1.34 of the Commission's Rules and Section 19(b) of the Natural Gas Act, for rehearing of its order of March 21, 1957, accepting for filing Magnolia Petroleum Company's (Magnolia) FPC Gas Rate Schedule No. 3 and Supplements Nos. 1 through 27 thereto. For the convenience of the Commission, a copy of the order of March 21, 1957 is attached hereto as Attachment "A". Gas Company respectfully sets forth the following grounds upon which this Application is based:

I

The factual situation surrounding the subject rate filing and the grounds upon which Gas Company protested the acceptance for filing of Magnolia's tendered Rate Schedule No. 3 and Supplements thereto are set forth in Gas Company's letters of protest to the Commission dated February 5 and February 26, 1957. To avoid repetition, those letters are incorporated herein by reference to the files of the Commission and made a part hereof and all of the grounds of protest set out in said letters are hereby renewed.



[fol. 689]

## II

Gas Company respectfully submits that a rehearing of the order of March 21, 1957, referred to above, is necessary. Gas Company construes the order as meaning that the Commission has not, by the acceptance for filing of the subject rate schedule, determined that the legally effective rate for the sale of gas by Magnolia to Gas Company is, or at any time was, 11¢ per Mcf. Thus, paragraph (A) of the order of March 21, 1957, provides as follows:

“(A) Magnolia’s FPC Gas Rate Schedule No. 3, and Supplements Nos. 1 through 27 thereto are accepted for filing; *subject, however, to the express condition that such acceptance is without prejudice to any claims or contentions which have been made by or for Magnolia Petroleum Company or by or for Cities Service Company in pending litigation concerning this particular sale of gas.*”

Magnolia, on the other hand, has apparently construed the order as meaning that the Commission has determined the legally effective rate as being 11¢ per Mcf prospectively, as well as retroactively to June 7, 1954 and has requested that the Commission place that construction upon its order of March 21, 1957. (See Magnolia’s letter to the Commission dated April 11, 1957 requesting construction of order)

## III

Gas Company construes the order of March 21, 1957, as meaning that if the outcome of the litigation referred to in the aforementioned letters of protest is favorable to Gas Company, then the legally effective rate from June 7, 1954 is the contract price of 6¢ per Mcf; and that if the outcome of the litigation is unfavorable to Gas Company, then the legally effective rate from June 7, 1954 is the 11¢ price provided for by the Kansas Minimum Price Order. [fol. 690] We fail so see how a contrary construction can be placed upon the Commission’s Order in view of the language in Paragraph (A) accepting for filing Magnolia’s schedule “*subject, however, to the express condition that*

such acceptance is without prejudice to any claims or contentions which have been made by or for Magnolia Petroleum Company or by or for Cities Service Company in pending litigation concerning this particular sale of gas." (Emphasis supplied). Indeed, a contrary construction would render the above-quoted condition meaningless and might, as a practical matter, seriously prejudice the pending litigation in the United States Supreme Court and in the United States District Court for Kansas where the difference between the contract price and the ordered price is being impounded—something which the Commission in its March 21 order specifically stated it had no intention of doing.

On the other hand, if, as Magnolia contends, the Commission has accepted the 11¢ price as the legally effective rate from June 7, 1954 onward, then reconsideration of, and rehearing on, such acceptance is hereby requested. Such acceptance, we submit, would deprive Gas Company of property without due process of law, would be a clear and unwarranted interference with the contract between Gas Company and Magnolia, would constitute retroactive rate fixing, and would be contrary to Section 4 of the Natural Gas Act, as interpreted by the Supreme Court in the *United Gas Pipeline* case (350 U.S. 332) (1956)). Such acceptance would, as pointed out above, render meaningless the condition, quoted above, contained in Paragraph (A) of the order of March 21, 1957, and would also be contrary to the Commission's Order No. 174-B.

In this connection, attention is respectfully invited to the case of *Phillips Petroleum Company v. Federal Power Commission*, 227 F. 2d 470 (10th Cir. 1955), wherein the Court held that the Phillips rate in effect as of June 7, 1954 could not be determined until *after* the completion [fol. 691] of a rate proceeding before the Federal Power Commission involving the rates of Michigan-Wisconsin Pipe Line Company, to which rates the Phillips rate was tied by contract. The Court also held that the rate actually paid on June 7, 1954 was not the legally effective rate on that date inasmuch as the rate was being paid contingent upon the outcome of Michigan-Wisconsin's rate proceeding.

Here, as in the *Phillips* case, the rate being paid on June 7, 1954, was being paid *contingently and pursuant to an agreement to refund excess payments in the event the Kansas minimum price order is held invalid*. Here, as in the *Phillips* case, the determination of the effective rate cannot be made (except in the alternative) until the contingency on which such payments were and are being made has been resolved by the courts.

Stated another way, the 11¢ price contained in Magnolia's filing was not, and is not, the price which Gas Company agreed to pay to Magnolia. It was and is the price if, *and only if*, the validity of the Kansas Minimum Price Order is upheld by the Supreme Court of the United States.

To accept as the effective rate the conditional rate of 11¢ would, we submit, be clearly contrary to the holding in the *Phillips* case, *supra*. The *Phillips* case recognizes that a rate can be "determinable" and that what was actually paid on June 7, 1954 does not necessarily reflect the "effective" rate. In the instant case, the June 7, 1954 rate is a "determinable" rate. The 11¢ rate here involved was no more the effective rate on June 7, 1954, than was the rate collected by Phillips on June 7, 1954 for sales made to Michigan-Wisconsin.

Moreover, acceptance of the 11¢ price as the legally effective price beginning with June 7, 1954, would clearly contravene Section 154.93 of the Commission's own Rules and Regulations. That section defines the "rate schedule" [fol. 692] to be filed by an independent producer, such as Magnolia, as "the basic contract and all supplements or agreements amendatory thereof, effective and applicable on June 7, 1954, showing the . . . rates and charges, terms, conditions, . . . affecting such rates or charges, applicable to the . . . sale of natural gas in interstate commerce for resale . . ." As recognized in the aforementioned order of March 21, 1957, payment to Magnolia of the 11¢ price was *conditioned* "upon the validity of the Kansas Corporation Commission Minimum Price Order and with expectation of a refund from Magnolia if the order was invalid." Such condition, contained in the letter from Gas Company to Magnolia dated January 21, 1954 and required

by the Commission to be made a part of Magnolia's filing herein, is as much a part of Magnolia's filing as the basic contract itself. To disregard that letter, which sets forth the condition upon which payment of the 11¢ price was, and is, being made, is to disregard an essential part of the filing and the agreed upon basis for the payment of the 11¢ price.

Acceptance of the 11¢ price as the legally effective price as of June 7, 1954, would also contravene Section 154.92(a) of the Commission's Rules. That Section requires independent producers to file with the Commission rate schedules "setting forth the terms and conditions of service and all rates and charges for such transportation or sale *effective on June 7, 1954*" (Emphasis supplied). Obviously, the 11¢ price could not be the *effective* rate on June 7, 1954, inasmuch as Gas Company was litigating the validity of the 11¢ price and the 11¢ price was being paid and accepted subject to an agreement to refund. In *Jones v. S.E.C.*, 298 U.S. 1, the Supreme Court construed the word "effective" (as applied to a Registration Statement concerning which the S.E.C. had issued an order to show cause why a stop order should not issue suspending the Statement) as follows (at p. 18):

"The word 'effective' as herein employed, connotes completeness of operative force and freedom to act. *And a Registration Statement which, while still in fieri, is brought under official challenge in respect of its validity and subjected to an official proceeding aimed at its destruction, cannot be so characterized until the challenge is determined in favor of the Registrant.* In the meantime, since he can act only at his peril, *the Registration Statement can in no real sense be called effective.*" (Emphasis supplied).

Under the factual situation here presented the 11¢ price cannot be said to be *effective* on June 7, 1954. In its letter dated April 11, 1954 requesting the Commission to construe its order of March 21, 1957, Magnolia states that, "It is the contention of Magnolia that upon the filing of such rate schedule its effective rate on and after June 7,

1954 was 11¢ per Mcf at 14.65 pressure base." (Second paragraph, P. 2—Emphasis supplied) Apparently Magnolia is of the view that quite apart from the effectiveness of the 11¢ price on June 7, 1954, the action of the Commission in accepting the 11¢ order for filing on March 21, 1957 rendered that price the *legal rate retroactive to June 7, 1954*. It is Gas Company's view that any legal consequences resulting from the action of the Commission by its acceptance of a rate filing cannot be retroactive. The Commission is requested to clarify this issue by specifying that the effective date of Magnolia's rate schedule shall be March 21, 1957.

Magnolia insists that the ruling of the Commission in the Dorchester case (Docket No. G-6505) should be applied to the facts in this case but there is an all-important difference in the facts in the two cases which makes the Dorchester ruling wholly inapplicable to the facts here involved. Here, Magnolia has by accepting checks in payment on the terms and conditions specified in Gas Company's letter of January 21, 1954, agreed to reimburse Gas Company for overpayments in the event the minimum price order is held invalid and that agreement forms an essential part of the terms and conditions under which Magnolia was selling to Gas Company on June 7, 1954 and is a part of Magnolia's rate filing. In the Dorchester case there was no *agreement* to refund excess payments but only a letter by the purchaser to seller setting out that the payment of the minimum price was being made under business compulsion subject to recovery on the theory of unjust enrichment. On June 7, 1954 Dorchester only had a lawsuit where Gas Company had an agreement to refund in the event the minimum price was held invalid. (See Pipeline Company of America's letter to Ponomarev dated August 26, 1952 as set forth in the Court's opinion in the case of *Natural Gas Pipeline Company of America v. Harrington, et al.*, 139 Fed. Supp. 452). In other words, Magnolia's agreement to reimburse Gas Company is inconsistent with an unconditional acceptance of the minimum price and brings the present case within the ruling of this Commission in connection with Phillips Petroleum Company's filing of Supplement No. 21 to its F.P.C. Rate



Schedule No. 5 wherein the Oklahoma Minimum Price was rejected in view of Phillips' agreement to refund in the event the Oklahoma Minimum Price was held invalid.

#### IV

So that both Gas Company and Magnolia may be fully advised regarding the scope and effect of the order of March 21, 1957, it is respectfully requested that the Commission reconsider its order and enter appropriate findings and conclusions to the effect, that, if the Kansas Minimum Price Order is declared invalid by the United States Supreme Court, then the legally effective price from and after June 7, 1954 will automatically be the contract price of 6¢ per Mcf; and that if the validity of the Kansas Minimum Price Order is upheld by the United States Supreme Court, then the legally effective price from and after June 7, 1954, will automatically be 11¢ per Mcf.

#### V

If the order of March 21, 1957 is not supplemented by appropriate findings construing the order as requested in paragraph IV above, then reconsideration and rehearing of the order of March 21, 1957 is respectfully requested on the following grounds:

1. The Commission erred in accepting the price of 11¢ as the legally effective price as of June 7, 1954, inasmuch as that price was not in fact the "effective" price on that date, but the validity thereof was then being litigated by Gas Company and was being paid by Gas Company and received by Magnolia pursuant to an agreement to refund the excess over the contract price, if the Kansas Minimum Price Order was declared invalid. The validity of the Kansas order is now pending decision in the United States Supreme Court in Case No. 797, October 1956 term. Acceptance of the 11¢ price as an "effective" price deprives Gas Company of its contractual rights and constitutes a taking of property without due process of law.

2. The Commission erred in accepting the Kansas Minimum price of 11¢ as the legally effective price, without affording Gas Company a hearing, in violation of the Administrative Procedure Act and the due process clause of the Constitution.

[fol. 696] 3. The Commission erred in accepting the Kansas minimum price of 11¢ as the legally effective price, inasmuch as such acceptance was in conflict with Sections 154.92(a) and 154.93 of its Rules and Regulations.

4. The Commission erred in accepting the minimum price of 11¢ as the legally effective price as of June 7, 1954, inasmuch as such acceptance constitutes retroactive rate making, in violation of the Natural Gas Act and the due process clause of the Constitution, and purports to accord Magnolia's filing the sanctity of a legal rate prior to the date of acceptance for filing by the Commission.

5. The Commission erred in accepting the 11¢ rate as the legally effective rate, inasmuch as such acceptance is in violation of Section 4 of the Natural Gas Act as construed by the Supreme Court in the *United Gas Pipeline case* (350 U. S. 332). By such acceptance, the Commission has permitted a unilateral change in a contract without affording Gas Company a hearing.

6. The Commission erred in accepting the 11¢ price as the legally effective price in the absence of substantial evidence and without making appropriate findings and conclusions to support its action, in violation of the Administrative Procedure Act.

7. The Commission erred in accepting Magnolia's tendered filing without requiring Magnolia to file, as a part thereof, a specimen of the coupon attached to each check issued to, and accepted by, Magnolia, for gas purchased during the period from January 1, 1954 to July 23, 1955, which set forth that payment to [fol. 697] Magnolia was being made "subject to the provisions of letters dated 8-25-53 and 1-21-54 \* \* \*."



8. The Commission erred in failing to find and conclude that if the Kansas Minimum Price Order is declared invalid by the United States Supreme Court, then the legally effective price from and after June 7, 1954 will automatically be the contract price of 6¢ per Mcf; and that if the validity of the Kansas Minimum Price Order is upheld by the United States Supreme Court, then the legally effective price from and after June 7, 1954 will automatically be 11¢ per Mcf.

WHEREFORE, Gas Company respectfully petitions the Commission to reconsider its order and upon such reconsideration to enter the findings and conclusions proposed in Paragraph IV above.

Respectfully submitted,

CITIES SERVICE GAS COMPANY

By /s/ CONRAD C. MOUNT  
Conrad C. Mount

/s/ O. R. STITES  
O. R. Stites

/s/ ROBERT R. MCCracken

Attorneys for

Cities Service Gas Company  
P.O. Box 1995  
Oklahoma City 1, Oklahoma

[fol. 698]

## Attachment "A"

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

Before Commissioners: Jerome K. Kuykendall, Chairman;  
Seaborn L. Digby, Frederick Stueck, William R. Connole and Arthur Kline.

In the Matter of  
Magnolia Petroleum Company

## ORDER ACCEPTING RATE SCHEDULE FOR FILING

(Issued March 21, 1957)

Magnolia Petroleum Company (Magnolia) on February 19, 1957, retendered for filing as a rate schedule effective on June 7, 1954, for sales of natural gas to the Cities Service Gas Company (Cities Service), its basic contract dated June 17, 1946, together with various supplements or amendments thereto, which have been respectively designated as Magnolia's FPC Gas Rate Schedule No. 3, and Supplements Nos. 1 through 27 thereto. Magnolia proposes an effective date of January 14, 1957, for the retendered filing.

The Commission previously rejected a tendered filing of Magnolia for this sale as incomplete in that Magnolia did not submit a letter of January 21, 1954, from Cities Service conditioning the payments at the rate of 11¢ per Mcf upon the validity of the Kansas Corporation Commission Minimum Price Order and with expectation of a refund from Magnolia if the order was invalid.<sup>1</sup> Magnolia has now included such letter of conditional payment. The retendered filing also includes three Kansas State Corporation Commission Orders setting a minimum price of 11¢ per Mcf at 14.65 psia for gas sold from the Hugoton Field.

<sup>1</sup> Cities Service is contesting the validity of the Kansas order in the courts.

Cities Service objects to the filing on the grounds that the Kansas Minimum Price Order is similar to the Oklahoma Minimum Price Order heretofore found by the courts to be invalid; that Magnolia should file a copy of the monthly payment check received from Cities Service showing the conditions under which the payment is made; and that Magnolia should not make any reservations in filing, inasmuch as acceptance of the check shows acceptance of the conditions of payment. Cities Service requests that any acceptance of the filing be conditioned as being without prejudice to the rights of Cities Service in pending litigation and the rate is effective only if the Kansas Minimum Price Orders are found to be valid.

[fol. 699] *The Commission finds:*

Good cause has been shown that Magnolia's FPC Gas Rate Schedule No. 3, and Supplements Nos. 1 through 27 thereto, be accepted for filing; subject, however, to the express condition that such acceptance is without prejudice to any claims or contentions which have been made by or for Magnolia Petroleum Company or by or for Cities Service Company in pending litigation concerning this particular sale of gas.

*The Commission orders:*

(A) Magnolia's FPC Gas Rate Schedule No. 3, and Supplements Nos. 1 through 27 thereto are accepted for filing; subject, however, to the express condition that such acceptance is without prejudice to any claims or contentions which have been made by or for Magnolia Petroleum Company or by or for Cities Service Company in pending litigation concerning this particular sale of gas.

(B) Nothing contained in this order shall be construed as a waiver of the requirements of Section 7 of the Natural Gas Act; nor shall it be construed as constituting approval by the Commission of any service, rate, charge, classification, or any rule, regulation, or practice affecting such service or rate provided for in the above-described rate schedule, nor shall this order be deemed as recognition of

any claimed contractual right or obligation affecting or relating to such service or rate.

(C) This order is without prejudice to any findings or order which has been or may hereafter be made by this Commission in any proceeding now pending, or hereafter instituted by or against Magnolia Petroleum Company.

By the Commission.

/s/ J. H. GUTRIDE  
Joseph H. Gutride,  
Secretary.

[fol. 700]

STATE OF OKLAHOMA )  
 ) SS  
OKLAHOMA COUNTY )

Conrad C. Mount, of lawful age, being duly sworn, upon oath states that he is Vice President and General Counsel for Cities Service Gas Company, and that he has read the above and foregoing Application for Rehearing and that the matters and facts set forth therein are true and correct to the best of his knowledge and belief.

/s/ CONRAD C. MOUNT

Subscribed and sworn to before me this 17th day of April, 1957.

/s/ HELEN LACER  
Notary Public

My Commission expires  
May 22, 1959

[fol. 701]

#### CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Application for Rehearing upon Magnolia Petroleum

Company by mailing a copy thereof to Ross Madole, Magnolia Petroleum Company, P. O. Box 900, Dallas 21, Texas.

Dated this 17th day of April, 1957.

/s/ CONRAD C. MOUNT

Attorney for

Cities Service Gas Company

[fol. 702]

### EXHIBIT J

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

### CERTIFICATION

I hereby certify that the attached two pages are true copies of an ORDER MODIFYING ORDER ACCEPTING RATE SCHEDULE FOR FILING AND DENYING PETITIONS FOR REHEARING issued May 17, 1957 in the matter of Magnolia Petroleum Company on file with this Commission.

This 19th day of Sept., 1958.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

/s/ J. H. GUTRIDE

Secretary

[Seal]

[fol. 703]

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

Before Commissioners: Jerome K. Kuykendall, Chairman;  
Seaborn L. Digby, Frederick Stueck, William R. Connole and  
Arthur Kline.

In the Matter of  
Magnolia Petroleum Company

ORDER MODIFYING ORDER ACCEPTING RATE SCHEDULE  
FOR FILING AND DENYING PETITIONS FOR REHEARING

(Issued May 17, 1957)

On April 18, 1957, Cities Service Gas Company (Cities Service) filed its application for rehearing of the Order Accepting Rate Schedule for Filing issued by the Commission on March 21, 1957. On April 19, 1957, Magnolia Petroleum Company (Magnolia) filed its application for rehearing in the same matter. The order in question accepted for filing Magnolia's FPC Gas Rate Schedule No. 3 with Supplements Nos. 1 through 27 thereto, for sales of natural gas to Cities Service.<sup>1</sup> Such Gas Rate Schedule and Supplements comprise a basic contract of June 17, 1946, between Magnolia and Cities Service and documents relating thereto, including three orders of the Kansas Corporation Commission (Supplements Nos. 18, 24 and 26), the latest of which established a minimum price of 11¢ per Mcf at 14.65 p.s.i.a. for the gas supplied by Magnolia.

Upon further consideration of said rate schedule and the supplements thereto, and the above-mentioned applications for rehearing, the Commission orders:

(A) The aforesaid order issued on March 21, 1957, be and it is hereby modified as follows:

<sup>1</sup> This filing constitutes Magnolia's June 7, 1954 rate schedule; see Regulations Under The Natural Gas Act, Sec. 154.91-154.102 inclusive, and is based on retender of a previous submission which did not include Supplement No. 27.

(i) The finding therein set forth is amended to read as follows:

Good cause has been shown that Magnolia's FPC Gas Rate Schedule No. 3, and Supplements Nos. 1 through 27 thereto, be accepted for filing.

[fol. 704] (ii) Paragraph "(A)" as therein set forth is amended to read as follows:

Magnolia's FPC Gas Rate Schedule No. 3, and Supplements Nos. 1 through 27 thereto, are accepted for filing.

(B) Except to the particular extent they may be deemed to have been granted by this instant order, each of said applications for rehearing is denied.

(C) As hereby specifically modified or amended, said order issued March 21, 1957, shall remain and continue in full force and effect.

By the Commission. Commissioner Connoles dissenting for the reasons set forth in his statements in the Matters of Dorchester Corporation, Docket No. G-6505, and Phillips Petroleum Company, Docket No. G-10908.

/s/ J. H. GUTRIDE  
Joseph H. Gutride,  
Secretary



[fol. 705]

## EXHIBIT K

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

## CERTIFICATION

I hereby certify that the attached three pages are true copies of a letter from Cities Service Gas Company, dated April 15, 1958 to Federal Power Commission on file with this Commission.

This ..... day ....., .....

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

/s/ J. H. GUTRIDE

Secretary

[Seal]

700

[fol. 706]

Official File Copy

To Init. Date

RGC: DM 5/12

Central Files

Received

Apr 17 10 33 AM '58

Federal Power Commission

[Emblem]

100-2 Gas Cor.

CITIES SERVICE GAS COMPANY

FIRST NATIONAL BUILDING

OKLAHOMA CITY 1, OKLAHOMA

April 15, 1958

Air Mail

Federal Power Commission

Washington 25, D. C.

Attention: J. H. Gutride, Secretary

Gentlemen:

Under date of April 2, 1958 Cities Service Gas Company was served with a copy of "Supplement No. .... to Magnolia Petroleum Company F.P.C. Gas Rate Schedule No. 89." This document purports to effect a decrease in Magnolia's Rate Schedule No. 89 by the amount of the Kansas severance tax, which was held invalid by the Kansas Supreme Court on March 8, 1958, in State Ex Rel Dole v. Kirchner, 322 P. 2d 759. To the extent that the Kansas severance tax is reflected in Magnolia's Rate Schedule No. 89 the rate therein should be reduced and Cities has no objection to such reduction.

The tendered Supplement contains, however, the following statement:

"The rate in effect under the contract and supplements thereto on March 31, 1958 is \$.110715 per Mcf at 14.65 psia., and the rate in effect on April 1, 1958 is \$.11 per Mcf at 14.65 psia."

Cities does not agree that the rate in effect on March 31, 1958 was \$.110715 per Mcf at 14.65 psia or that after eliminating the invalid Kansas severance tax the rate in effect on April 1, 1958, or any other date, would be \$.11

per Mcf at 14.65 psia, but insists that the rate in effect at all times was the contract price of 8.4¢ per Mcf at 16.4 psia plus the Kansas severance tax and that after eliminating the Kansas severance tax the rate in effect should be 8.4¢ per Mcf at 16.4 psia.

Under the provisions of 18 C.F.R. 1.10(b) Cities Service Gas Company files its protest herewith to such filing, on the following grounds:

(1) The rate agreed upon by the parties in the basic contract between Cities and Magnolia constituting Magnolia's Rate Schedule No. 89 is now and was from its inception 8.4¢ per Mcf (16.4 psia). Under the provisions of paragraph (6)(b) of the basic contract the parties specifically agreed that pending the determination of the validity of the 11¢ Kansas Minimum Price Order Cities would pay Magnolia 11¢ per Mcf (14.65 psia), the price provided for in [fol. 707] the Kansas Minimum Price Order, and Magnolia agreed by such basic contract that it would refund to Cities the difference between the contract rate and the 11¢ Kansas minimum price, if the Kansas Minimum Price Order was declared invalid. The Kansas Minimum Price Order was held void ab initio on January 20, 1958 in the case of *Cities Service Gas Company v. Corporation Commission, et al.*, — U.S. —, 2 L. Ed. 2d (Adv.) 355, and thereupon it became established that the effective rate under the basic contract is now and has always been 8.4¢ per Mcf (14.65 psia).

(2) In view of the foregoing, it is the position of Cities Service Gas Company that 11¢ per Mcf (14.65 psia) was not at any time and could not be the lawful filed rate of Magnolia and the rate should be reduced not to the invalid Kansas 11¢ price, as contended for by Magnolia, but to the 8.4¢ per Mcf basic contract price. This position is squarely supported by the decision of the Court of Appeals for the Third Circuit in *Natural Gas Pipeline Company of America v. Federal Power Commission*, — F. 2d —, decided February 26, 1958, wherein the Court said:

"When the United States Supreme Court found Oklahoma's action to have been unlawful and set the State Commission order aside there was no longer even the

semblance of a valid law or lawful order which could modify the contract rate. The contract rate therefore under the mandate of the Supreme Court must be held to have been the rate effective on June 7, 1954."

It is, moreover, fully supported by the position of the Federal Power Commission in its brief filed in *Cities Service Gas Company v. Federal Power Commission*, Case No. 5666, now pending decision in the Court of Appeals for the Tenth Circuit. There the Commission said, at page 6 thereof:

" \* \* \* The only possible justification for Magnolia's rate schedule increasing the contract price of 6¢ to 11¢ was the Kansas order which was presumptively valid on the filing date but which has now been shown to be a nullity. Hence, although the Magnolia rate was 'effective' at the time it was filed because it then was the only legal rate governing the sale, it must now be recognized that the actual rate and the legal rate during this period was the 6¢ contract price. This follows not only from the fact that the sale contract embodied the Kansas order only if it was valid (R. 39) and the contract governs unless modified by the parties, but more importantly because the order in contemplation of law was a nullity and hence the only rate which could have been in effect during this period was the rate provided by the contract which was incorporated in Magnolia's rate schedule."

"That is, Magnolia's schedule consisted of its contract providing a 6¢ price plus a number of supplements including one containing the Kansas order. When the order was declared void that supplement became a nullity from the filing date, and the contract schedule therefore contained the only filed rate."

(3) Since the Kansas Minimum Price Order is void ab initio and could form no valid part of Magnolia's Rate Schedule No. 89, Magnolia's unilateral declaration that its lawful rate is, or at any time was, 11¢ per Mcf (14.65 psia) is a nullity and should be so regarded by the Commission. Such unilateral action is squarely contrary to the doctrine announced by the Supreme Court of the United States in

United Gas Pipeline Company v. Mobile Gas Service Corporation, 350 U.S. 332, wherein the Court held that rates established by contract between the parties cannot be annulled by the unilateral action of one party thereto without consent of the other.

In view of all the foregoing, Cities Service Gas Company respectfully urges that the Commission by appropriate order construe, interpret and declare that Magnolia's lawful filed rate under its Rate Schedule No. 89 was 8.4¢ per Mcf (16.4 psia) plus the Kansas severance tax and now is 8.4¢ per Mcf (16.4 psia) by reason of invalidation of said severance tax.

CITIES SERVICE GAS COMPANY

By: Conrad C. Mount  
O. R. Stites  
Robert R. McCracken  
Harry S. Littman  
/s/ JACK WERNER  
Jack Werner  
Its Attorneys

RRM:hl

cc: Magnolia Petroleum Company  
P. O. Box 900  
Dallas, Texas

[fol. 709]

# EXHIBIT L

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

## CERTIFICATION

I hereby certify that the attached seventeen pages are true copies of the following:

1. Letter dated June 14, 1956, from the Secretary, Federal Power Commission, to the Cabot Carbon Company, re: CABOT CARBON COMPANY, FPC GAS RATE SCHEDULE Nos. 2 and 14

2. Letter dated May 16, 1956, received May 17, 1956, from Cabot Carbon Company, and enclosures thereto, re: CABOT CARBON COMPANY, FPC GAS RATE SCHEDULE No. 2
3. Letter dated May 15, 1956, received May 16, 1956, from the Cabot Carbon Company, and enclosures thereto, re: CABOT CARBON COMPANY, FPC GAS RATE SCHEDULE No. 14 on file with this Commission.

This 22nd day of April, 1959.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

[Seal]

/s/ J. H. GUTRIDE

Secretary

[fol. 710]  
100-2 Gas Cor.

*CWC Files 1*  
*Jun 14 1956*

Cabot Carbon Company  
77 Franklin Street  
Boston 10, Massachusetts

Attention Mr. Fred G. Fernald, Secretary

Gentlemen:

This is with reference to your letters dated May 15, 1956 and May 16, 1956 transmitting for filing changes in rate under your FPC Gas Rate Schedule Nos. 2 and 14 covering sales of gas to Cities Service Gas Company in the Hugoton Field, Kansas and Oklahoma.

Such changes in rate are conditional in that you request that they only be effective provided the price in effect under the minimum price order of the Corporation Commission of Kansas is not sustained in the courts and in the event the minimum price order of the Oklahoma Corporation Commission is attacked and not sustained in the courts.

The aforementioned changes in rate are hereby rejected since there can be only one effective rate for the gas sold within the meaning of Order No. 174-B, and because Section 4(d) of the Natural Gas Act requires that any change in rate state plainly the change to be made and the time when the change will go into effect. The conditional nature of your rate change filings do not meet this requirement.

The rejected filings are being retained in the Commission's files for reference and information.

By direction of the Commission.

LEON M. FUQUAY  
Secretary

*approved at 4170th  
Commission meeting  
on June 13, 1956*

*M. B. K.*

R & CC  
EHM:mjc

6-7-56

WJD

6/8/56

RPC

OCON 6/8/56

*Italics indicate handwritten material.*



706

[fol. 711]

Received  
May 17 2 59 PM '56  
Federal Power Commission

CWC  
TELEPHONE LIBERTY 2-7300  
CABLE ADDRESS  
CHANDERYAR, BOSTON

CABOT CARBON COMPANY  
[Emblem]

77 FRANKLIN STREET  
BOSTON 10, MASSACHUSETTS

May 16, 1956

Leon W. Fuquay, Secretary  
Federal Power Commission  
441 G. Street, N. W.  
Washington 25, D. C.

100-2 Gas Cor.  
In re: Cabot Carbon Company  
FPC Gas Rate Schedule No 2

Dear Sir:

Enclosed find two copies of a change in the above entitled rate schedule filed by Cabot Carbon Company under Order 174-B.

As you will note from page 3 of the enclosure this change in rate schedule is filed to be effective only in case the Kansas Corporation Commission price order is not sustained.

Very truly yours,

CABOT CARBON COMPANY

/s/ FRED C. FERNALD  
Fred C. Fernald  
Secretary

JGW/rjs

Enclosures (2)

Registered Mail, Return Receipt Requested

Italics indicate handwritten material.

[fol. 712]

Received  
May 17 2 59 PM '56  
Federal Power Commission

## C O P Y

GODFREY L. CABOT, INC.  
INTER OFFICE CORRESPONDENCE  
77 FRANKLIN STREET, BOSTON 10, MASS.,

IN REPLY TO YOUR LETTER OF

SUBJECT:

May 16, 1956

Cities Service Gas Company  
First National Bank Building  
Oklahoma City 1  
Oklahoma

In re: Cabot Carbon Company  
FPC Gas Rate Schedule No. 2

Gentlemen:

Notice is hereby given by Cabot Carbon Company of the filing with the Federal Power Commission of a change in the above entitled rate schedule under Federal Power Commission Order No. 174-B. A copy of the change in rate schedule is enclosed.

Very truly yours,

CABOT CARBON COMPANY

Original. }  
Signed } FRED C. FERNALD  
Fred C. Fernald,  
Secretary

JGW/rjs  
Enclosure

cc: Mr. Homer D. Johnson

Registered Mail, Return Receipt Requested

[fol. 713]

Received  
May 17 3 00 PM '56  
Federal Power Commission

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

154.94 (a)

Cabot Carbon Company hereby files as a change in rate schedule an increase in rate under Section 6 of the contract dated March 8, 1950 between Sunflower Natural Gas Company, Inc. and Cities Service Gas Company previously filed by Cabot Carbon Company with the Commission on November 24, 1954 as a Rate Schedule (FPC Gas Rate Schedule #2) under order 174-A, as amended, and incorporated herein by reference. Cabot Carbon Company is the successor to the rights and obligations of Sunflower Natural Gas Company, Inc. under said contract.

Section 6 of said contract reads as follows:

"Section 6. Cities agrees to pay Sunflower for all gas sold and delivered hereunder the price of nine cents (9¢) per thousand (1000) cubic feet, on the basis of agreed measurement elsewhere herein recited, through June 22, 1956, and ten cents (10¢) per thousand (1000) cubic feet from June 23, 1956, to June 22, 1962, inclusive. For all natural gas delivered after June 22, 1962, the price shall be subject to adjustment each six-year (6) period as follows; but said adjusted price shall be not less than ten cents (10¢) per thousand (1000) cubic feet:

(a) Not less than six months prior to June 22, 1962, Cities and Sunflower shall endeavor to agree upon a price to be paid by Cities for gas to be sold and delivered during the next six-year (6) period.

(b) In the event that the parties hereto shall fail to agree upon said price for the next six-year (6) period earlier than four months before June 22, 1962, the deter-

mination of such price shall be by arbitration as herein provided.

(i) In the event of such arbitration, the parties hereto shall mutually select a nationally known firm of consulting engineers, experienced in the gas business, and of the highest reputation and standing, and of unimpeachable integrity, which firm shall have no interest in either Cities or Sunflower, or in the production, transportation, or sale of natural gas in the Hugoton or Texas-Panhandle gas fields.

[fol. 714]. (ii) In the event that the parties hereto cannot agree upon the selection of such a firm as arbitrator, the Senior Federal Judge of the District Court of the United States in the State of Kansas shall be requested to select such a firm to act as such arbitrator hereunder. In event of failure or refusal of such District Judge to act, then either party may request any member of the United States Circuit Court of Appeals for the Tenth Circuit to make such a selection. It is recognized that none of said Judges named has any official jurisdiction over said matter, but will act individually in making such selection.

(iii) Upon the selection of such firm as arbitrator as herein provided, said arbitrator shall proceed to determine the fair, just and reasonable price to be paid by Cities during the ensuing six-year (6) period and the decision of said arbitrator shall be final and binding upon both parties, in the absence of fraud or bad faith on the part of the arbitrator.

(iv) The arbitrator shall, within thirty (30) days from the date of its appointment, designate a time and a place for a hearing of such statements, evidence, and arguments as the parties may desire to submit, supporting the claims of either party as to the fair, just and reasonable price per thousand (1000) cubic feet of gas to be delivered by Sunflower to Cities during the ensuing six-year (6) period. Such arbitrator shall be privileged to seek the assistance of experts and men of practical experience in the natural gas business in its considerations.

(v) The fees of the arbitrator and expenses of arbitration shall be borne one-half by Sunflower and one-half by Cities.

(vi) In the event such arbitrator shall fail to reach a decision in four months after its appointment, such arbitrator shall be discharged and new arbitrator shall be selected in like manner as if no arbitrator had been chosen.

(c) Not less than six months prior to the end of each succeeding six-year (6) period, Cities and Sunflower shall commence negotiations to determine the fair, just and reasonable price to be paid by Cities for gas to be delivered hereunder during the next ensuing six-year (6) period; and in the event of failure to agree upon such price, arbitration shall proceed as hereinabove provided.

(d) It is expressly stipulated that the delivery of gas by Sunflower under this agreement shall not be interrupted because of delay in the determination of the price applicable to delivery of gas, and the delivery of gas shall continue at the previous effective price. Upon determination of the new price, the price shall be applied retro-actively to ~~gas~~ previously delivered in the interim.

(e) If in any fiscal accounting month, as herein defined, the average gross heating value of the gas delivered by Sunflower shall fall below nine-hundred sixty (960) BTUs per [fol. 715] cubic foot, the price then applicable hereunder, whether by agreement or by arbitration, to be paid by Cities to Sunflower for gas delivered during such month shall be decreased proportionately to the deficiency in gross heating value below nine-hundred sixty (960) BTUs per cubic foot."

Payment under protest has been made for the gas by Cities Service Gas Company in accordance with the Kansas Gas Measurement Law and under the minimum price order of the Corporation Commission of Kansas and Cities Service Gas Company has instituted court proceedings attacking said order. Applicant now files this application in order that the increase in rate as provided under the con-

tract may be made effective in the event that the price in effect under the minimum price order of the Corporation Commission of Kansas is not sustained and also should the minimum price order of the Corporation Commission of Oklahoma be attacked in a similar manner and the price under said order be not sustained.

**154.94 (e)**

(i) In accordance with the first paragraph of Section 6 of said contract the change in Rate Schedule is proposed to be made effective on June 23, 1956, provided the minimum price order of the Corporation Commission of Kansas is not sustained.

(ii) A comparative statement of the sales made and revenues therefrom to Cabot Carbon Company for the twelve months preceding and for the twelve months immediately following the effective date of the change in rate is attached hereto, as Exhibit A and shows (1) the sales and revenues after giving effect to the Kansas and Oklahoma minimum price orders applicable thereto for each twelve month period preceding and following the effective date, (2) sales and estimated revenues computed on the basis of the contract provisions for the twelve month period preceding the effective date and [fol. 716] (3) estimated sales and revenues computed on the basis of the contract provisions following the effective date.

**154.94 (f)**

The increase in the rate under this change in rate schedule is in accordance with the contract between the parties dated March 8, 1950 and is for the purpose of providing the Applicant with a just and reasonable price for its gas provided the minimum price order of the Corporation Commission of Kansas is not sustained.

Payment under protest has been made for the gas by Cities Service Gas Company in accordance with the Kansas Gas Measurement Law and under the minimum price order of the Corporation Commission of Kansas and Cities Service Gas Company has instituted court proceedings



attacking said order. Applicant now files this application in order that the increase in rate as provided under the contract may be made effective in the event that the price in effect under the minimum price order of the Corporation Commission of Kansas is not sustained and also should the minimum price order of the Corporation Commission of Oklahoma be attacked in a similar manner and the price under said order be not sustained.

A copy of this material is being sent to Cities Service Gas Company and to the Corporation Commission of Kansas. All copies are being sent by registered mail.

### Reservation of Rights

Cabot Carbon Company files this change in Rate Schedule under protest and reserves all its rights under the United States Constitution and the laws of the United States to contest

- (1) the validity of said order No. 174-B
- (2) the applicability of said Order to Cabot Carbon Company, and
- (3) the jurisdiction of the Federal Power Commission over Cabot Carbon Company under the Natural Gas Act, as amended.

[fol. 717] Cabot Carbon Company further claims that the change in Rate Schedule under its aforementioned contract of March 8, 1950 concerns a part of its production facilities, and that the gas sold and to be sold to Cities Service Gas Company is a part of the process of production and said sales by Cabot Carbon Company are outside and not within the jurisdiction of the Federal Power Commission.

May 16, 1956.

Respectfully submitted,

CABOT CARBON COMPANY

By /s/ FRED C. FERNALD  
 Secretary and General Counsel  
 77 Franklin Street  
 Boston 10, Massachusetts



**EXHIBIT "A"**  
**GAS PURCHASE CONTRACT**  
**CITIES SERVICE GAS COMPANY**  
**March 8, 1950**  
**FPC Gas Rate Schedule #2**

[fol. 718]

713

**EXHIBIT "A"**  
**Gas Purchase Contract**

1.					2.		3.		
Date	Sales Under Kan. Gas Meas. Low Vol. 14.68 PG	Revenues Under Kan. Min. Price @ 11¢ MCF	Sales Under Okla. Gas Meas. Low Vol. 14.68 PG	Revenues Under Okla. Min. Price @ 9.83¢ MCF	Total Sales Under Kan. & Okla. Gas Meas. Low Vol. 14.68 PG	Total Revenues Under Kan. & Okla. Min. Price Orders	Sales Under Contract Meas. Before Increase Vol. 16.4 PG	Revenues Under Contract Price Before Increase @ 9¢ MCF	Revenues Under Contract Price After Increase @ 10¢ MCF
PRECEDING EFFECTIVE DATE									
July 1955	327,168 MCF	\$35,988.48	15,399 MCF	\$1,513.14	342,567 MCF	\$37,501.62	298,033 MCF	\$26,822.97	
Aug. 1955	296,093 "	\$32,570.23	14,819 "	\$1,456.14	310,912 "	\$34,026.37	270,493 "	\$24,344.37	
Sept. 1955	158,107 "	\$17,391.77	16,537 "	\$1,624.96	174,644 "	\$19,016.73	151,940 "	\$13,674.60	
Oct. 1955	137,143 "	\$15,085.73	24,512 "	\$2,408.60	161,655 "	\$17,494.33	140,640 "	\$12,657.60	
Nov. 1955	119,072 "	\$13,097.92	24,233 "	\$2,381.19	143,305 "	\$15,479.11	124,675 "	\$11,220.75	
Dec. 1955	191,750 "	\$21,092.50	23,363 "	\$2,295.70	215,113 "	\$23,388.20	187,148 "	\$16,843.32	
Jan. 1956	343,888 "	\$40,027.68	13,447 "	\$1,321.33	377,335 "	\$41,349.01	328,281 "	\$29,545.29	
Feb. 1956	445,166 "	\$48,968.26	10,481 "	\$1,029.88	455,647 "	\$49,998.14	396,413 "	\$35,677.17	
Mar. 1956	301,886 "	\$33,207.44	22,869 "	\$2,247.15	324,755 "	\$35,454.61	282,537 "	\$25,428.33	
Apr. 1956	*260,030 "	*28,603.30	*18,406 "	*1,808.61	*278,436 "	*30,411.91	*242,239 "	*21,801.51	
May 1956	*260,030 "	*28,603.30	*18,406 "	*1,808.61	*278,436 "	*30,411.91	*242,239 "	*21,801.51	
June 1956	*260,030 "	*28,603.30	*18,406 "	*1,808.61	*278,436 "	*30,411.91	*242,239 "	*21,801.51	
TOTAL	3,120,363 MCF	\$343,239.93	220,878 MCF	\$21,703.92	3,341,241 MCF	\$364,943.85	2,906,877 MCF	\$261,618.93	
FOLLOWING EFFECTIVE DATE									
July 1956	*320,625 MCF	*\$35,268.75	*15,091 MCF	*\$1,482.87	*335,716 MCF	*\$36,751.62	*292,072 MCF	*\$26,286.48	*\$29,207.20
Aug. 1956	*290,171 "	*\$31,918.81	*14,523 "	*\$1,427.06	*304,694 "	*\$33,345.87	*265,083 "	*\$23,857.47	*\$26,508.90
Sept. 1956	*154,945 "	*\$17,043.95	*16,204 "	*\$1,592.43	*171,151 "	*\$18,636.38	*148,901 "	*\$13,401.09	*\$15,890.10
Oct. 1956	*134,400 "	*\$14,784.00	*24,022 "	*\$2,360.45	*158,422 "	*\$17,144.45	*137,827 "	*\$12,404.43	*\$13,782.70
Nov. 1956	*116,691 "	*\$12,836.01	*23,748 "	*\$2,333.53	*140,439 "	*\$15,169.54	*122,182 "	*\$10,996.38	*\$12,218.20
Dec. 1956	*187,915 "	*\$20,670.65	*22,896 "	*\$2,249.81	*210,811 "	*\$22,920.46	*183,405 "	*\$16,506.45	*\$18,340.50
Jan. 1957	*356,610 "	*\$39,227.10	*13,178 "	*\$1,294.90	*369,788 "	*\$40,522.00	*321,715 "	*\$28,954.35	*\$32,171.50
Feb. 1957	*436,263 "	*\$47,988.93	*10,271 "	*\$1,009.25	*446,534 "	*\$48,998.18	*388,485 "	*\$34,963.65	*\$38,848.50
Mar. 1957	*295,848 "	*\$32,543.28	*22,412 "	*\$2,202.25	*318,260 "	*\$34,745.53	*276,886 "	*\$24,919.74	*\$27,688.60
Apr. 1957	*254,829 "	*\$28,031.19	*18,038 "	*\$1,772.45	*272,867 "	*\$29,803.64	*237,394 "	*\$21,365.46	*\$23,739.40
May 1957	*254,829 "	*\$28,031.19	*18,038 "	*\$1,772.45	*272,867 "	*\$29,803.64	*237,394 "	*\$21,365.46	*\$23,739.40
June 1957	*254,829 "	*\$28,031.19	*18,038 "	*\$1,772.45	*272,867 "	*\$29,803.64	*237,394 "	*\$21,365.46	*\$23,739.40
TOTAL	3,057,955 MCF	\$336,375.05	216,461 MCF	\$21,269.90	3,274,416 MCF	\$357,644.95	2,848,738 MCF	\$256,386.42	\$284,873.80

\* Estimated

714

[fol. 719]

**CABOT CARBON COMPANY**

[Emblem]

**CWC**

Received

May 16 3 14 PM '56

Federal Power Commission

TELEPHONE LIBERTY 2-7300

CABLE ADDRESS

CHANDERYAR, BOSTON

77 FRANKLIN STREET  
BOSTON 10, MASSACHUSETTS

May 15, 1956

Leon W. Fuquay, Secretary  
Federal Power Commission  
441 G. Street, N.W.  
Washington 25, D. C.

100-2 Gas Cor.

In re: Cabot Carbon Company  
FPC Gas Rate Schedule No. 14

Dear Sir:

Enclosed find two copies of a change in the above entitled rate schedule filed by Cabot Carbon Company under Order 174-B.

As you will note from page 3 of the enclosure this change in rate schedule is filed to be effective only in case the Kansas Corporation Commission price order is not sustained.

Very truly yours,

**CABOT CARBON COMPANY**

/s/ **FRED C. FERNALD**  
Fred C. Fernald,  
Secretary

JGW/rjs  
Enclosures (2)

REGISTERED MAIL, RETURN RECEIPT REQUESTED

Italics indicate handwritten material.

[fol. 720]

COPY

Received  
May 16 3 15 PM '56  
Federal Power Commission

GODFREY L. CABOT, Inc.

INTER OFFICE CORRESPONDENCE  
77 Franklin Street, Boston 10, Mass.,

IN REPLY TO YOUR LETTER OF

SUBJECT:

May 15, 1956

Cities Service Gas Company  
First National Bank Building  
Oklahoma City 1  
Oklahoma

In re: Cabot Carbon Company  
FPC Gas Rate Schedule No. 14.

Gentlemen:

Notice is hereby given by Cabot Carbon Company of the filing with the Federal Power Commission of a change in the above entitled rate schedule under Federal Power Commission Order No. 174-B. A copy of the change in rate schedule is enclosed.

Very truly yours,

CABOT CARBON COMPANY

Original }  
Signed } FRED C. FERNALD  
Fred C. Fernald,  
Secretary

JGW/rjs  
Enclosure

REGISTERED MAIL, RETURN RECEIPT REQUESTED

cc: Mr. Homer D. Johnson

Received  
May 16 3 14 PM '56  
Federal Power Commission

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

154.94 (a)

Cabot Carbon Company hereby files as a change in rate schedule an increase in rate under Section 6 of the contract dated March 8, 1950 between Sunflower Natural Gas Company, Inc. and Cities Service Gas Company previously filed by Cabot Carbon Company with the Commission on November 24, 1954 as a Rate Schedule (FPC Gas Rate Schedule #14) under order 174-A, as amended, and incorporated herein by reference. Cabot Carbon Company is the successor to the rights and obligations of Sunflower Natural Gas Company, Inc. under said contract.

Section 6 of said contract reads as follows:

"Section 6. Cities agrees to pay Sunflower for all gas sold and delivered hereunder the price of eight and one-fourth cents ( $8\frac{1}{4}\text{¢}$ ) per thousand (1000) cubic feet, on the basis of agreed measurement elsewhere herein recited, through June 22, 1956, and nine and sixteen-hundredths cents ( $9.16\text{¢}$ ) per thousand (1000) cubic feet from June 23, 1956 to June 22, 1962, inclusive. For all natural gas delivered after June 22, 1962, the price shall be subject to adjustment each six-year (6) period as follows; but said adjusted price shall be not less than nine and sixteen-hundredths cents ( $9.16\text{¢}$ ) per thousand (1000) cubic feet:

(a) Not less than six months prior to June 22, 1962, Cities and Sunflower shall endeavor to agree upon a price to be paid by Cities for gas to be sold and delivered during the next six-year (6) period.

(b) In the event that the parties hereto shall fail to agree upon said price for the next six-year (6) period earlier than four months before June 22, 1962, the determination of such price shall be by arbitration as herein provided.

(i) In the event of such arbitration, the parties hereto shall mutually select a nationally known firm of consulting engineers, experienced in the gas business, and of the highest reputation and standing, and of unimpeachable integrity, which firm shall have no interest in either Cities or Sunflower or in the production, transportation, or sale of natural gas in the Hugoton or Texas-Panhandle gas fields.

[fol. 722] (ii) In the event that the parties hereto cannot agree upon the selection of such a firm as arbitrator, the Senior Federal Judge of the District Court of the United States in the State of Kansas shall be requested to select such a firm to act as such arbitrator hereunder. In the event of failure or refusal of such District Judge to act, then either party may request any member of the United States Circuit Court of Appeals for the Tenth Circuit to make such a selection. It is recognized that none of said Judges named has any official jurisdiction over said matter, but will act individually in making such selection.

(iii) Upon the selection of such firm as arbitrator as herein provided, said arbitrator shall proceed to determine the fair, just and reasonable price to be paid by Cities during the ensuing six-year (6) period and the decision of said arbitrator shall be final and binding upon both parties, in the absence of fraud or bad faith on the part of the arbitrator.

(iv) The arbitrator shall, within thirty (30) days from the date of its appointment, designate a time and a place for a hearing of such statements, evidence, and arguments as the parties may desire to submit, supporting the claims of either party as to the fair, just and reasonable price per thousand (1000) cubic feet of gas to be delivered by Sunflower to Cities during the ensuing six-year (6) period. Such arbitrator shall be privileged to seek the assistance of experts and men of practical experience in the natural gas business in its considerations.



(v) The fees of the arbitrator and expenses of arbitration shall be borne one-half by Sunflower and one-half by Cities.

(vi) In the event such arbitrator shall fail to reach a decision in four months after its appointment, such arbitrator shall be discharged and new arbitrator shall be selected in like manner as if no arbitrator had been chosen.

(c) Not less than six months prior to the end of each succeeding six-year (6) period, Cities and Sunflower shall commence negotiations to determine the fair, just and reasonable price to be paid by Cities for gas to be delivered hereunder during the next ensuing six-year (6) period; and in the event of failure to agree upon such price, arbitration shall proceed as hereinabove provided.

(d) It is expressly stipulated that the delivery of gas by Sunflower under this agreement shall not be interrupted because of delay in the determination of the price applicable to delivery of gas, and the delivery of gas shall continue at the previous effective price. Upon determination of the new price, the price shall be applied retro-actively to gas previously delivered in the interim.

[fol. 723] (e) If in any fiscal accounting month, as herein defined, the average gross heating value of the gas delivered by Sunflower shall fall below nine-hundred sixty (960) BTUs per cubic foot, the price then applicable hereunder, whether by agreement or by arbitration, to be paid by Cities to Sunflower for gas delivered during such month shall be decreased proportionately to the deficiency in gross heating value below nine-hundred sixty (960) BTUs per cubic foot."

Payment under protest has been made for the gas by Cities Service Gas Company in accordance with the Kansas Gas Measurement Law and under the minimum price order of the Corporation Commission of Kansas and Cities Service Gas Company has instituted court proceedings attacking said order. Applicant now files this application in order that the increase in rate as provided under the contract may be made effective in the event that the price in effect

under the minimum price order of the Corporation Commission of Kansas is not sustained.

154.94 (e)

(i) In accordance with the first paragraph of Section 63 of said contract the change in Rate Schedule is proposed to be made effective on June 23, 1956, provided the minimum price order of the Corporation Commission of Kansas is not sustained.

(ii) A comparative statement of the sales made and revenues therefrom to Cabot Carbon Company for the twelve months preceding and for the twelve months immediately following the effective date of the change in rate is attached hereto as Exhibit A and shows (1) the sales and revenues after giving effect to the Kansas minimum price order for each twelve month period preceding and following the effective date, (2) sales and estimated revenues computed on the basis of the contract provisions for the twelve month period preceding the effective date and (3) estimated sales and [fol. 724] revenues computed on the basis of the contract provisions following the effective date.

154.94 (f)

The increase in the rate under this change in rate schedule is in accordance with the contract between the parties dated March 8, 1950 and is for the purpose of providing the Applicant with a just and reasonable price for its gas provided the minimum price order of the Corporation Commission of Kansas is not sustained.

Payment under protest has been made for the gas by Cities Service Gas Company in accordance with the Kansas Gas Measurement Law and under the minimum price order of the Corporation Commission of Kansas and Cities Service Gas Company has instituted court proceedings attacking said order. Applicant now files this application in order that the increase in rate as provided under the contract may be made effective in the event that the price in effect under the minimum price order of the Corporation Commission of Kansas is not sustained.



A copy of this material is being sent to Cities Service Gas Company and to the Corporation Commission of Kansas. All copies are being sent by registered mail.

*Reservation of Rights*

Cabot Carbon Company files this change in Rate Schedule under protest and reserves all its rights under the United States Constitution and the laws of the United States to contest

- (1) the validity of said Order No. 174-B
- (2) the applicability of said Order to Cabot Carbon Company, and
- (3) the jurisdiction of the Federal Power Commission over Cabot Carbon Company under the Natural Gas Act, as amended.

[fol. 725] Cabot Carbon Company further claims that the change in Rate Schedule under its aforementioned contract of March 8, 1950 concerns a part of its production facilities, and that the gas sold and to be sold to Cities Service Gas Company is a part of the process of production and said sales by Cabot Carbon Company are outside and not within the jurisdiction of the Federal Power Commission.

May 14, 1956.

Respectfully submitted,

CABOT CARBON COMPANY

By /s/ FRED C. FERNALD  
Secretary and General Counsel  
77 Franklin Street  
Boston 10, Massachusetts

**EXHIBIT "A"**  
**GAS PURCHASE CONTRACT**  
**CITIES SERVICE GAS COMPANY**  
**March 8, 1950**  
**FPC Gas Rate Schedule #14**

[fol. 726]

721

**EXHIBIT A**  
**GAS PURCHASE CONTRACT**

Month	1.		2.		3.
	Sales Under Kansas Gas Measurement Low Volume 12.65 PS	Revenues Under Kansas Minimum Price @ 11¢ MCF	Sales Under Contract Measurement Volume 15.025 PS	Revenues Under Contract Price Before Increase @ 8.25¢ MCF	Revenues Under Contract Price After Increase @ 9.16¢ MCF
<b>PRECEDING EFFECTIVE DATE</b>					
July 1955	12.062 MCF	\$ 1,326.82	11.459 MCF	\$ 945.37	
Aug. 1955	3.828 "	421.08	3.637 "	300.05	
Sept. 1955	1.151 "	126.61	1.093 "	90.17	
Oct. 1955	12.073 "	1,328.03	11.469 "	946.19	
Nov. 1955	9.302 "	1,023.22	8.837 "	729.05	
Dec. 1955	880 "	96.80	836 "	68.97	
Jan. 1956	13.124 "	1,443.64	12.468 "	1,028.61	
Feb. 1956	16.317 "	1,794.87	15.501 "	1,278.83	
Mar. 1956	7,368 "	810.48	7,000 "	577.50	
Apr. 1956	*8,456 "	*930.16	*8,033 "	*662.72	
May 1956	*8,456 "	*930.16	*8,033 "	*662.72	
June 1956	*8,456 "	*930.16	*8,033 "	*662.72	
<b>TOTAL</b>	<b>101,473 MCF</b>	<b>\$11,162.03</b>	<b>96,399 MCF</b>	<b>\$7,952.90</b>	
<b>FOLLOWING EFFECTIVE DATE</b>					
July 1956	*11,821 MCF	\$ *1,300.31	*11,230 MCF	\$ *926.48	\$ *1,028.67
Aug. 1956	*3,751 "	*412.61	*3,564 "	*294.03	*326.46
Sept. 1956	*1,129 "	*124.19	*1,071 "	*88.36	*98.10
Oct. 1956	*11,832 "	*1,301.52	*11,240 "	*927.30	*1,029.58
Nov. 1956	*9,116 "	*1,002.76	*8,660 "	*714.45	*793.26
Dec. 1956	*862 "	*94.82	*819 "	*67.57	*75.02
Jan. 1957	*12,862 "	*1,414.82	*12,219 "	*1,008.07	*1,119.26
Feb. 1957	*15,991 "	*1,759.01	*15,191 "	*1,253.26	*1,391.50
Mar. 1957	*7,221 "	*794.31	*6,860 "	*565.95	*628.38
Apr. 1957	*8,287 "	*911.57	*7,872 "	*649.44	*721.08
May 1957	*8,287 "	*911.57	*7,872 "	*649.44	*721.08
June 1957	*8,287 "	*911.57	*7,872 "	*649.44	*721.08
<b>TOTAL</b>	<b>99,446 MCF</b>	<b>\$10,939.06</b>	<b>94,470 MCF</b>	<b>\$7,793.79</b>	<b>\$8,653.47</b>

\* Estimated

FEDERAL POWER COMMISSION

MAY 16 3 14 PM '56

RECEIVED

[fol. 727]

**EXHIBIT M****UNITED STATES OF AMERICA****FEDERAL POWER COMMISSION**

I, Joseph H. Gutride, Secretary of the Federal Power Commission, and official custodian of the minutes of said Commission, do hereby certify that the attached three pages are true and correct copies of pages numbers 63917, 63922 and 64052 from the minutes of the Commission's meeting of June 13, 1956.

[Seal]

In witness whereof I have hereunto subscribed my name and caused the seal of the Federal Power Commission to be affixed this 4th day of May, A. D., 1959, at Washington, D. C.

/s/ J. H. GUTRIDE  
Secretary

[fol. 728]

63917

**MINUTES OF THE FOUR THOUSAND ONE HUNDRED  
SEVENTY-FIRST MEETING**

The Commission convened at 10:00 a.m. on June 13, 1956.

Present: Chairman Kuykendall, Commissioners Draper, Digby and Connoles.

The minutes of the 4161st, 4163rd, 4164th 4166th and 4167th meetings of May 31, June 4, 5, 7 and 8, respectively, were read and approved. (Commissioner Digby, not having been present at the meeting of May 31, did not vote on the question of approval of the minutes for that date. Commissioner Connoles, not having been present at the meeting of June 7, did not vote on the question of approval of the minutes for that date. Commissioner Draper not having been present at the meeting of June 8, did not vote on the question of approval of the minutes for that date.)

Action was taken, as set forth in the documents appended hereto, in the following matters:

- (1) Docket No. G-6503, Continental Oil Company  
 Docket No. G-6821, Knox Oil Company  
 Docket No. G-6823, Wyopark Oil Company  
 Docket No. G-6824, Oxford Oil Company  
 Docket No. G-7771, Fred M. Manning  
 Docket No. G-7772, Estate of E. E. Brown  
 Docket Nos. G-6624 and G-7404, Fred Goodstein  
 d/b/a Trigood Oil Company  
 (Order modifying and affirming decision of Presiding Examiner)  
 (Commissioner Digby filed a concurring statement)
- (2) Docket No. DA-384-Colorado, Colorado Department of Highways  
 (Determination for highway right-of-way under Section 24 of the Federal Power Act)
- (3) Project No. 516, South Carolina Electric & Gas Company  
 (Finding and order approving exhibit)
- (4) Project No. 1956, Lyles Ford Tri-County Power Authority  
 (Order dismissing application for license)
- (5) Project No. 2047 (New York, Stewart's Bridge), Niagara Mohawk Power Corporation  
 (Order determining actual legitimate original cost)

[fol. 729]

63922

- (49) Docket No. G-3176, Phillips Petroleum Company  
 (Letter to Michigan-Wisconsin Pipe Line Company concerning interpretation of orders issued in above docket)
- (50) Letter to Cabot Carbon Company, rejecting filings for changes in rate under its FPC Gas Rate Schedules Nos. 2 and 14 covering sales of gas to Cities

Service Gas Company in the Hugoton Field, Kansas  
and Oklahoma

\*\*\*\*\*

The Commission considered the rate filings identified on the attached Table, IP 709, dated June 8, 1956, and voted to suspend the filings of C. W. Alexander, et al. listed on Line 5 for five months from the expiration of statutory notice, June 21, 1956, and the filing of N. B. Hunt listed on Lines 8 through 12 for five months from the expiration of statutory notice, June 14, 1956. All other filings were accepted with no specification of effective date for the June 7, 1956, filing. The increases listed on Lines 2-3, the favored-nations increase listed on Line 6, and the periodic increases listed on Lines 1 and 7 are to become effective 30 days after filing or the requested effective date, whichever is later. The filing companies are to be advised of this action by appropriate form letters.

\*\*\*\*\*

The Commission considered the rate filings identified on the attached Table, IP 724, dated June 8, 1956, and accepted all of them with waiver of notice granted where necessary to permit the eight initial rate schedules to become effective on the date of initial delivery or the date of authorization of the sale, whichever date is later. The filing companies are to be advised of this action by appropriate form letters.

Thereupon, the Commission adjourned.

Jerome K. Kuykendall  
Chairman

ATTEST:

/s/ LEON M. FUQUAY  
Secretary

[fol. 730]

FEDERAL POWER COMMISSION  
WASHINGTON 25

Cabot Carbon Company  
77 Franklin Street  
Boston 10, Massachusetts

Attention: Mr. Fred C. Fernald, Secretary

Gentlemen:

This is with reference to your letters dated May 15, 1956 and May 16, 1956 transmitting for filing changes in rate under your FPC Gas Rate Schedules Nos. 2 and 14 covering sales of gas to Cities Service Gas Company in the Hugoton Field, Kansas and Oklahoma.

Such changes in rate are conditional in that you request that they only be effective *provided* the price in effect under the minimum price order of the Corporation Commission of Kansas is not sustained in the courts and in the event the minimum price order of the Oklahoma Corporation Commission is attacked and not sustained in the courts.

The aforementioned changes in rate are hereby rejected since there can be only one effective rate for the gas sold within the meaning of Order No. 174-B, and because Section 4(d) of the Natural Gas Act requires that any change in rate state plainly the change to be made and the time when the change will go into effect. The conditional nature of your rate change filings do not meet this requirement.

The rejected filings are being retained in the Commission's files for reference and information.

By direction of the Commission.

Secretary



[fol. 731]

## EXHIBIT N

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

## C E R T I F I C A T I O N

I hereby certify that the attached two pages are true copies of an ORDER REVISING RULING OF PRESIDING EXAMINER, adopted July 13, 1955, issued July 14, 1955, In the Matter of: Tennessee Gas Transmission Company, Docket No. G-5259 on file with this Commission.

This 6th day of May, 1959.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

[Seal]

/s/ J. H. GUTRIDE

Secretary



[fol. 732]

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

Before Jerome K. Kuykendall, Chairman; Claude  
Commissioners: L. Draper, Seaborn L. Digby, Frederick  
Stueck and William R. Connole

In the Matter of )  
 ) Docket No. G-5259  
Tennessee Gas Transmission )  
Company )

ORDER REVISING RULING OF PRESIDING EXAMINER

On June 22, 1955, the Presiding Examiner certified to the Commission, pursuant to the provisions of Section 1.28 of the Commission's Rules of Practice and Procedure (18 CFR 1.28), an appeal by counsel for Tennessee Gas Transmission Company, (Tennessee) from a ruling made by the Presiding Examiner in this proceeding (T. 219). The Presiding Examiner ruled that the party-interveners here would be permitted to make inquiries with respect to a number of contracts renegotiated by Tennessee with certain of its producer-suppliers for the purchase of natural gas at increased rates although the increased rates in such contracts had been duly filed with the Commission as supplements to rate schedules and are presently effective rates. For the purpose of his ruling, the Presiding Examiner distinguished the increased rates in such renegotiated contracts from increased rates resulting from the operation of various escalation provisions in other contracts between Tennessee and its producer-suppliers. With respect to the latter category, the Presiding Examiner refused to permit the party-interveners to inquire into the justness and reasonableness of the increased rates, which rates had been duly filed with the Commission and are presently effective rates. The Presiding Examiner conceived that the parties could inquire, for example, whether the renegotiated contracts providing for the purchase of natural gas at in-

creased rates were arrived at as a result of collusion, rather than by arm's length bargaining.

The ruling which had been made the subject of appeal involves the action of the Presiding Examiner overruling an objection by counsel for Tennessee to questions propounded to a witness concerning a number of contracts renegotiated by Tennessee with certain of its producer-suppliers at increased rates. Counsel for Tennessee argued that the questions were indirect inquiries into the reasonableness of the rates and charges of producer-suppliers to Tennessee, which increased rates and charges are the duly filed and presently effective rates on file with the Commission. On the other hand, the proponent of the question urged that it was necessary to inquire whether the renegotiated contracts were reasonable from the standpoint of Tennessee, and whether such contracts were improvident or unreasonable from the standpoint of Tennessee's customers. It was further contended that, if such renegotiated contracts were [fol. 733] improvident, the purchased gas costs related to such contracts should be disallowed in Tennessee's cost of service in this proceeding.

Preliminarily, it may be noted that no party to this proceeding has suggested that such renegotiated contracts were the product of collusion. (T. 203).

Upon consideration of the appeal from the ruling of the Presiding Examiner, arguments of counsel, and the contentions of the parties set forth in the extensive portions of the transcript of record referred to by the Presiding Examiner, we find that the Presiding Examiner should have sustained the objection of counsel for Tennessee.

We have today denied the appeal of party-interveners in this proceeding from a ruling of the Presiding Examiner sustaining the objection of counsel for Tennessee to questions concerning the reasonableness of increased rates and charges of producer-suppliers to Tennessee resulting from the operation of various escalation provisions in the contracts between Tennessee and such producer-suppliers, and which increases in rates were duly filed and were the presently effective rates on file with the Commission. There is no valid distinction between rates made effective under dif-

ferent circumstances. The basic underlying fact is that they are presently effective rates in either instance. Such rates may not be attacked collaterally. Accordingly, we shall reverse the ruling of the Presiding Examiner as hereinafter ordered.

The Commission *orders*:

The ruling of the Presiding Examiner made on June 16, 1955, during the course of hearing in this proceeding overruling the objection to questions relating to the reasonableness of rates and charges contained in contracts renegotiated between Tennessee Gas Transmission Company and certain of its producer-suppliers be and the same is hereby reversed.

By the Commission. Commissioner Connole not participating.

Leon M. Fuquay,  
Secretary.

Adopted: July 13, 1955

Issued: July 14, 1955

[fol. 734]

#### EXHIBIT O

UNITED STATES OF AMERICA

FEDERAL POWER COMMISSION

#### CERTIFICATION

I hereby certify that the attached three pages are true copies of an ORDER AFFIRMING RULING OF PRESIDING EXAMINER AND DENYING APPEAL, adopted July 13, 1955, issued July 14, 1955, In the Matter of: Tennessee Gas Transmission Company, Docket No. G-5259 on file with this Commission.

This 6th day of May, 1959.

/s/ CHARLES C. BENNINGTON

NAME

TITLE

Records Officer

I hereby certify that

NAME Charles C. Bennington

TITLE

Records Officer

whose signature appears above, is official custodian of the records of the Federal Power Commission to which certification is made and was such official custodian at the time of executing the above certification.

[Seal]

/s/ J. H. GUTRIDE

Secretary

[fol. 735]

UNITED STATES OF AMERICA  
FEDERAL POWER COMMISSION

Before Jerome K. Kuykendall, Chairman; Claude  
Commissioners: L. Draper, Seaborn L. Digby, Frederick  
Stueck and William R. Connole.

In the Matter of )

) Docket No. G-5259

Tennessee Gas Transmission )  
Company )

ORDER AFFIRMING RULING OF PRESIDING  
EXAMINER AND DENYING APPEAL

On June 22, 1955, the Presiding Examiner certified to the Commission, pursuant to Section 1.28 of the Commission's Rules of Practice and Procedure (18 CFR 1.28), an appeal by counsel for Hope Natural Gas Company, The East Ohio Gas Company, Peoples Natural Gas Company,

and New York State Natural Gas Company from a ruling made by the Presiding Examiner on June 16, 1955, during the course of hearing in this proceeding (T. 284). Numerous interveners joined in the appeal. In substance, the Presiding Examiner ruled that the reasonableness of the increased rates and charges of producer-suppliers for natural gas sold to Tennessee Gas Transmission Company (Tennessee) was not a proper issue in this proceeding, where such increased rates and charges (a) resulted from the operation of various escalation provisions in the contracts between Tennessee and such producer-suppliers and (b) such increases in rates were duly filed as rate schedule supplements and permitted to become effective pursuant to the provisions of the Natural Gas Act (T. 273-78).

This proceeding concerns the lawfulness of the increased rates and charges proposed by Tennessee in its filing of November 3, 1954, the use of which was suspended until December 15, 1954, by order issued November 26, 1954, and until such further time as such rates and charges might become effective in the manner prescribed by the Natural Gas Act. By order issued December 28, 1954, the increased rates and charges filed by Tennessee were allowed to become effective on December 15, 1954, subject to a satisfactory undertaking to assure refund of excess charges found by the Commission to be not justified. Tennessee proposed to increase its rates and charges by an amount of \$8,616,000 per year, which Tennessee claims is required to compensate it for the increase in purchased gas costs. Tennessee has now completed the presentation of its direct testimony purporting to support the rate increase sought. Currently the hearing is in recess until July 18, 1955.

The ruling which has been made the subject of appeal involves the action of the Presiding Examiner sustaining an objection by counsel for Tennessee to questions propounded to a witness concerning the reasonableness of the increased rates and charges of the producer-suppliers. The increased rates and charges of such producer-suppliers were permitted to become effective, in the main, on November 1, 1954, pursuant to changes in rate schedules duly filed under Section 4(d) of the Natural Gas Act and

the Commission's regulations thereunder. The interrogation which led to the objection was pursued by interveners in accordance with their stated position in petitions to intervene and in opening statements that the producer-suppliers rate increases are not just and reasonable, and should not be wholly allowed as part of Tennessee's cost of service in the instant proceeding.

Upon consideration of the appeal from the ruling of the Presiding Examiner, the arguments of counsel, and the contention of the parties set forth in the extensive portions of the transcript of record referred to by the Presiding Examiner, we find and determine that the ruling of the Presiding Examiner sustaining the objection of counsel from Tennessee should be affirmed and the appeal therefrom should be denied.

There would seem to be no room for argument that in this proceeding we are concerned solely with the reasonableness of the increased rates and charges proposed by Tennessee, and not with the rates and charges of producer-suppliers to Tennessee. We fully understand and appreciate the concern the interveners herein express with respect to the rates and charges of the producer-suppliers to Tennessee. But neither the Natural Gas Act nor fundamental law provides interveners herein a right to test the reasonableness of such rates and charges which are in no way at issue in this proceeding.

The producer-suppliers rates, the reasonableness of which interveners seek to probe here, are rates and charges which have become effective pursuant to filed rate schedules. The rates set forth in the effective rate schedules are legal rates. They represent the only rates which the producer-suppliers to Tennessee may charge, and which Tennessee may pay. Such rates being fixed and certain cannot now be changed except in proceedings instituted under Section 5(a) of the Natural Gas Act. That section gives the Commission the power, after hearing, to determine by order the just and reasonable rates to be thereafter observed and in force.

Clearly, interveners here cannot inquire into the justness and reasonableness of the producer-suppliers rates in this



proceeding. If such inquiry is desired, interveners' remedy lies elsewhere in the Natural Gas Act and not by a collateral attack here. For these reasons we shall deny the appeal of the interveners as hereinafter ordered.

The interveners have also requested opportunity for the filing of briefs and oral argument before the Commission in support of their appeal. The Commission is unable to perceive the necessity for oral argument before it or for the filing of briefs. Accordingly, we find that oral argument and the filing of briefs as requested are unnecessary to a proper determination of the issues raised by the appeal, and the request therefore should be denied as hereinafter ordered.

[fol. 737] The Commission orders:

- (A) The ruling of the Presiding Examiner made on June 16, 1955, during the course of hearing in this proceeding sustaining an objection to questions relating to the reasonableness of the rates and charges of producer-suppliers to Tennessee Gas Transmission Company, be and the same is hereby affirmed, and the appeal from such ruling by interveners herein be and the same is hereby denied.
- (B) The request of interveners herein for the filing of briefs and for oral argument in support of their appeal be and the same is hereby denied.

By the Commission. Commissioner Connole not participating.

Leon M. Fuqua  
Secretary.

Adopted: July 13, 1955

Issued: July 14, 1955



[fol. 738] [File endorsement omitted]

Acknowledgment of service (omitted in printing).

[fol. 739]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722

1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

v.

\*PAN AMERICAN PETROLEUM CORPORATION,  
a corporation, Defendant.

AFFIDAVIT IN SUPPORT OF DEFENDANT'S MOTION FOR SUMMARY  
JUDGMENT—Filed June 22, 1959

State of Oklahoma  
County of Tulsa ss.

Be it remembered that on this 15th day of June, 1959 personally appeared before me, the subscriber, a Notary Public for the County and State aforesaid, John F. Jones, who, having been sworn in due form of law, doth depose of his own knowledge as follows:

1. That he is and was at all times involved herein an attorney for the defendant, Pan American Petroleum Corporation, and as such represented said defendant before the Federal Power Commission and is familiar with all of defendant's rate filings with said Commission relating to the sale of natural gas involved in this action.

2. That the documents tendered on November 16, 1954 by defendant to the Federal Power Commission for filing as defendant's rate schedule applicable to the sale of natural gas involved herein by means of Exhibit 6-A attached to plaintiff's Motion for Summary Judgment consisted of

all of the documents contained in Exhibit 3 attached to said motion except Items (a) through (c) and (f) through (l) enumerated in plaintiff's description of said documents and that affiant hereby makes that part of said Exhibit 3 not excepted above a part hereof by reference the same as if fully set out herein.

[fol. 740] 3. That said documents excepted by paragraph 2 above were tendered by defendant to said Commission for filing subsequent to November 16, 1954, as changes in said rate schedule as follows, the following documents were tendered in connection therewith and the Federal Power Commission took the following actions with respect thereto:

(i) Item (b) of plaintiff's Exhibit 3 was tendered for filing by defendant with the Federal Power Commission on May 4, 1955 by means of letter of transmittal dated May 3, 1955, a true and correct copy of which is attached hereto as Exhibit A and made by reference a part hereof.

(ii) Item (c) of plaintiff's Exhibit 3 was tendered for filing by defendant with the Federal Power Commission on May 12, 1955 by means of letter of transmittal dated May 11, 1955, a true and correct copy of which is attached hereto as Exhibit B and made by reference a part hereof.

(iii) Item (b) of plaintiff's Exhibit 3 was duly accepted for filing by the Federal Power Commission as Supplement No. 78 to defendant's said Rate Schedule No. 84 by a letter authorization issued by said Commission on June 14, 1955, prescribing an effective date of June 4, 1955, a true and correct copy of said letter authorization is attached hereto as Exhibit C and made a part hereof.

(iv) Item (c) of plaintiff's Exhibit 3 was duly accepted for filing by the Federal Power Commission as Supplement No. 79 to defendant's said Rate Schedule No. 84 by a letter authorization issued by said Commission on June 29, 1955, prescribing an effective date of June 12, 1955, a true and correct copy of said letter authorization is attached hereto as Exhibit D and made a part hereof.

(v) Pursuant to Order No. 197 of the Federal Power Commission (22 F.R. 3754), a true and correct copy of

which is attached hereto as Exhibit E and made a part hereof, Item (f) of plaintiff's Exhibit 3 was tendered for filing by defendant with the Federal Power Commission on July 1, 1957 and is hereby made a part hereof.

[fol. 741] (vi) A certified copy of the official minutes of the meeting held on July 24, 1957 by the Commissioners comprising the Federal Power Commission at which said Item (f) was considered is attached to defendant's Answer as Exhibit "D" and is made by reference a part hereof.

(vii) Item (f) of plaintiff's Exhibit 3 was duly accepted for filing by the Federal Power Commission as Supplement No. 80 to defendant's said Rate Schedule No. 84 by a letter authorization issued by said Commission on August 19, 1957, prescribing an effective date therefor of July 1, 1957, a true and correct copy of said letter authorization is attached hereto as Exhibit F and made by reference a part hereof and, upon the issuance thereof, a copy of said letter authorization was placed in the public files and records of the Federal Power Commission.

(viii) Items (g) through (k), respectively, of plaintiff's Exhibit 3 were tendered for filing by defendant with the Federal Power Commission on September 26, 1957 by means of a letter of transmittal dated September 23, 1957, a true and correct copy of said letter of transmittal being attached hereto as Exhibit G and made by reference a part hereof.

(ix) Items (g) through (k) of plaintiff's Exhibit 3 were duly accepted for filing by the Federal Power Commission as Supplement Nos. 81 through 85, respectively, to defendant's said Rate Schedule No. 84 by a letter authorization issued by said Commission on October 18, 1957, prescribing an effective date for Supplement No. 81 of October 30, 1956, prescribing an effective date for Supplement Nos. 82 and 83 of November 9, 1956, and prescribing an effective date for Supplement Nos. 84 and 85 of January 2, 1957, a true and correct copy of said letter authorization is attached hereto as Exhibit H and made by reference a part hereof.

(x) Item (l) of plaintiff's Exhibit 3 was tendered for filing by defendant with the Federal Power Commission on January 9, 1958 by means of a letter of transmittal dated January 6, 1958, a true and correct copy of which is attached hereto as Exhibit I and made by reference a part hereof.

[fol. 742] (xi) Item (l) of plaintiff's Exhibit 3 was duly accepted for filing by the Federal Power Commission as Supplement No. 86 to defendant's said Rate Schedule No. 84 by a letter authorization issued by said Commission on February 26, 1958, a true and correct copy of said letter authorization is attached hereto as Exhibit J and made by reference a part hereof.

(xii) Item (a) of plaintiff's Exhibit 3 was tendered by defendant to the Federal Power Commission for filing on February 19, 1957.

4. That all of the documents tendered by defendant to the Federal Power Commission for filing on November 16, 1954, as defendant's rate schedule applicable to the sale of natural gas involved herein, including Items (d) and (e) of the plaintiff's Exhibit 3, were stapled together at the time of their tender.

5. That a certified copy of the official minutes of the meeting held on January 26, 1955 of the Commissioners constituting the Federal Power Commission at which the documents tendered by defendant on November 16, 1954 for filing as defendant's rate schedule applicable to the sale of natural gas involved herein is attached to defendant's Answer as Exhibit "A" and is hereby made by reference a part hereof; and that a certified copy of the letter authorization issued by said Commission on March 2, 1955, advising defendant of the action taken and determinations made on January 26, 1955, with respect to said tender of November 16, 1954, is attached to defendant's Answer as Exhibit "B" and is hereby made by reference a part hereof, and, upon the issuance thereof, a copy of said letter authorization of March 2, 1955, was placed in the public files and records of the Federal Power Commission.

6. That prior to November 16, 1954 defendant had not tendered any rate filing to the Federal Power Commission in connection with the sale of natural gas involved herein.

John F. Jones.

Sworn to and Subscribed before me the day and year first aforesaid.

Roena M. Stander, Notary Public.

My Commission expires: June 22, 1962.

[Seal]

[fol. 743]

**EXHIBIT A TO AFFIDAVIT**

Re: Supplement to Rate Schedule No. 84 of STANOLIND OIL AND GAS COMPANY for Sale of Natural Gas as an Independent Producer under Section 4 of the Natural Gas Act, in accordance with Federal Power Commission Order No. 174-B, issued December 17, 1954 (Stanolind No. 18,196)

MAY 3, 1955

Secretary,  
Federal Power Commission,  
Washington, D. C.

Dear Sir:

On November 16, 1954, Stanolind Oil and Gas Company filed, as its initial rate, Stanolind Contract No. 18,196, which has been designated Stanolind Rate Schedule No. 84. Said rate schedule covers the sale by Stanolind to Cities Service Gas Company of natural gas from the Hugoton Field of Kearny, Finney, Grant, Haskell, Morton, Stevens, Seward, Stanton, and Hamilton Counties, Kansas. Said contract, which is dated June 23, 1950, has previously been amended by seventy-seven supplements.

Stanolind transmits herewith two photostats of an amendment dated April 5, 1955, between Stanolind and Cities Service. Said amendment, upon being appended to Stanolind's Rate Schedule No. 84, will become Supplement No. 78 thereto.

Very truly yours,

/s/ JOHN F. JONES

John F. Jones

Attorney for  
Stanolind Oil and Gas Company

[fol. 744]

EXHIBIT B TO AFFIDAVIT

Re: Supplement to Rate Schedule No. 84 of  
STANOLIND OIL AND GAS COMPANY for  
Sale of Natural Gas as an Independent  
Producer under Section 4 of the Natural  
Gas Act, in accordance with Federal  
Power Commission Order No. 174-B,  
issued December 17, 1954 (Stanolind  
No. 18,196) MAY 11, 1955.

Secretary,  
Federal Power Commission,  
Washington, D. C.

Dear Sir:

On November 16, 1954, Stanolind Oil and Gas Company filed, as its initial rate, Stanolind Contract No. 18,196, which has been designated Stanolind Rate Schedule No. 84. Said rate schedule covers the sale by Stanolind to Cities Service Gas Company of natural gas from the Hugoton Field of Kearny, Finney, Grant, Haskell, Morton, Stevens, Seward, Stanton, and Hamilton Counties, Kansas. Said contract, which is dated June 23, 1950, has previously been amended by seventy-eight supplements.

Stanolind transmits herewith two photostats of an amendment dated April 12, 1955, between Stanolind and Cities Service. Said amendment, upon being appended to Stano-



lind's Rate Schedule No. 84, will become Supplement No. 79 thereto.

Very truly yours,

/s/ JOHN F. JONES

John F. Jones

Attorney for

Stanolind Oil and Gas Company

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[fol. 745]

EXHIBIT C TO AFFIDAVIT

Address All Communications  
To The Secretary

FEDERAL POWER COMMISSION  
Washington 25

June 14, 1955

Stanolind Oil and Gas Company  
511 South Boston Avenue  
Tulsa 3, Oklahoma

Gentlemen:

This is to advise you that the rate filings listed at the bottom of this letter have been accepted for filing and that such rate schedules have become effective on the dates shown, upon expiration of thirty days' statutory notice.

In the event that any of the documents comprising the listed rate schedules contain provisions for future automatic adjustments in rates and charges based upon new or increased taxes, prices paid for gas by or to others, price re-determination provisions, or any similar provision, your attention is directed to the fact that such provisions, when invoked to change the effective rates and charges, will constitute a change in such rates and charges within the meaning of Section 4(d) of the Natural Gas Act and Section 154.94 of the Commission's rules under such Act as promulgated by this Commission's Order No. 174-B. The Act and the Commission's rules require that such changes be



filed with the Commission not more than 90 nor less than 30 days prior to the proposed effective date thereof.

This acceptance for filing shall not be construed as a waiver of the requirements of Section 7 of the Natural Gas Act, as amended; nor shall it be construed as constituting approval of any rate, charge, classification, or any rule, regulation or practice affecting such rate or service contained in the rate filing; nor shall such acceptance be deemed as recognition of any claimed contractual right or obligation associated therewith; and such acceptance is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against your company.

Very truly yours,

/s/ LEON M. FUQUAY  
Secretary

Description of Document	Date of Letter of Transmittal	Rate Schedule Designation Stanolind Oil and Gas Company F.P.C. Gas			Effective Date
		Rate Schedule No.	Supplement No.		
Letter of 7/27/54 Sup. Agree.	5/4/55	8	8		6/4/55
of 7/27/54 Letter of	5/4/55	8	9		6/4/55
4/5/55 Letter of	5/4/55	84	78		6/4/55
2/28/55 Sup. Agree.	5/4/55	117	5		6/4/55
of 1/1/55	5/4/55	129	5		6/4/55

cc: Dow, Lohnes and Albertson

[fol. 746]

## EXHIBIT D TO AFFIDAVIT

Address all Communications  
To The Secretary

FEDERAL POWER COMMISSION  
Washington 25

June 29, 1955

Stanolind Oil and Gas Company  
511 South Boston Avenue  
Tulsa, Oklahoma

Gentlemen:

This is to advise you that the rate filings listed at the bottom of this letter have been accepted for filing and that such rate schedules have become effective on the dates shown, upon expiration of thirty days' statutory notice.

In the event that any of the documents comprising the listed rate schedules contain provisions for future automatic adjustments in rates and charges based upon new or increased taxes, prices paid for gas by or to others, price re-determination provisions, or any similar provision, your attention is directed to the fact that such provisions, when invoked to change the effective rates and charges, will constitute a change in such rates and charges within the meaning of Section 4(d) of the Natural Gas Act and Section 154.94 of the Commission's rules under such Act as promulgated by this Commission's Order No. 174-B. The Act and the Commission's rules require that such changes be filed with the Commission not more than 90 nor less than 30 days prior to the proposed effective date thereof.

This acceptance for filing shall not be construed as a waiver of the requirements of Section 7 of the Natural Gas Act, as amended; nor shall it be construed as constituting approval of any rate, charge, classification, or any rule, regulation or practice affecting such rate or service contained in the rate filing; nor shall such acceptance be deemed as recognition of any claimed contractual right or obligation associated therewith; and such acceptance is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any pro-

ceeding now pending or hereafter instituted by or against your company.

Very truly yours,

/s/ LEON M. FUQUAY  
Secretary

Rate Schedule Designation  
*Stanolind Oil and Gas Company*  
F.P.C. Gas  
Rate  
Schedule Supplement  
No. No. Effective  
Date

Description of Document	Date of Letter of Transmittal	F.P.C. Gas Rate Schedule No.	Supplement No.	Effective Date
Letter of 4/12/55	5/12/55	84	79	6/12/55

cc: Dow, Lohnes and Albertson

[fol. 747]

EXHIBIT E TO AFFIDAVIT

UNITED STATES OF AMERICA

FEDERAL POWER COMMISSION

Before Commissioners: Jerome K. Kuykendall, Chairman;  
Frederick Stueck, William R. Con-  
nole and Arthur Kline.

In the Matter of

The 1% Severance Tax of  
The State of Kansas  
[House Bill No. 383]

ORDER NO. 197

ORDER MODIFYING RULES AND REGULATIONS WITH RESPECT TO  
SUPPLEMENTS REFLECTING THE 1% SEVERANCE TAX  
OF THE STATE OF KANSAS

(Issued May 23, 1957)

Pursuant to House Bill No. 383 enacted by the Legislature of the State of Kansas in its 1957 regular session, a severance tax of 1% effective July 1, 1957, will be levied upon

every person engaged in the business of producing or severing oil or gas within the State of Kansas.

The incidence of such tax may result in increases in the rates paid by the purchasers under all rate schedules for sales of natural gas produced in Kansas which contain provisions whereby the buyer is to reimburse the seller for any portion of such tax. The Natural Gas Act and Section 154.94 of the Commission's Regulations make it mandatory that such increases in rates be timely and properly filed with the Commission.

To simplify the required change, the Commission deems it proper and in the public interest to waive the 30-day notice requirement under Section 4 (d) of the Act and Section 154.98 of the Commission's Regulations and to eliminate, to the extent feasible, the data and information to be submitted in support of the change.

Accordingly, a producer, in submitting a supplement to any of its rate schedules on file with the Commission to reflect the incidence of the above-described 1% tax as of July 1, 1957, may, notwithstanding other provisions of the Commission's Regulations, make such filings as hereinafter provided. Early filing will be of assistance in orderly processing.

DC-41

[fol. 748] *The Commission finds:*

It is appropriate and in the public interest in the administration of the Natural Gas Act (a) to waive the 30-day notice requirement provided in Section 4 (d) of the Natural Gas Act and Section 154.98 of the Commission's Regulations thereunder (Order No. 174-B), with respect to the filing of any appropriate supplement reflecting the incidence of the 1% State of Kansas severance tax as of July 1, 1957, provided such filing is made on or before July 1, 1957, and (b) with respect to the filing of any appropriate supplement reflecting the incidence of the 1% State of Kansas severance tax, to submit 3 copies of the data in the form set forth below, in lieu of the data required by Section 154.94 of the Commission's Regulations (Order No. 174-B):

1. This filing is submitted pursuant to Commission Order No. .... to reflect .....% reimbursement of the Kansas gas severance tax of 1% effective July 1, 1957 levied on producers by act of the Kansas Legislature in House Bill No. 383.
2. Such reimbursement is provided by Section .... of the contract dated ..... between ..... and ..... on file with the Commission and designated ..... FPC Gas Rate Schedule No. ....
3. A copy of this filing was served on the buyer as required by the Commission's Regulations on .....
4. Comparison of rates prior to and subsequent to such change in rate (Cents per MCF):

Date	Base Price Per Mcf	Tax Reimbursement Per Mcf	Total Price Per Mcf
June 30, 1957			
July 1, 1957			
Sales for 12 months ending March 31, 1957			Mcf.

*The Commission orders:*

Rate Schedules reflecting the incidence of the 1% severance tax of the State of Kansas as of July 1, 1957, if filed on or before July 1, 1957, may be filed on less than the 30 days' notice required by Section 4 (d) of the Natural Gas Act and in accordance with the findings of this order.

By the Commission.

/s/ JOSEPH H. GUTRIDE  
Joseph H. Gutride,  
Secretary.

[Emblem]

[fol. 749]

## EXHIBIT G TO AFFIDAVIT

September 23, 1957

## Letter of Transmittal

Supplement to Pan American Petroleum Corporation FPC Gas Rate Schedule No. 84. (Pan American Contract No. 18,196, Hugoton Field, Haskell and Kearny Counties, Kansas)

Supplement No. 81  
to FPC Gas Rate  
Schedule No. 84

Secretary  
Federal Power Commission  
Washington 25, D. C.

Dear Sir:

1. Subject to all of the reservations set out in the Application for a Certificate of Public Convenience and Necessity in FPC Docket No. G-4904 and in the original filing of the above described contract as a Rate Schedule and while denying that it is a natural gas company under the Natural Gas Act, or that it is subject to the jurisdiction of the Commission with respect to the transaction described herein, Pan American Petroleum Corporation (Pan American), as an independent producer, pursuant to Section 154.94 of the Commission's Regulations under the Natural Gas Act, transmits herewith for the information of the Commission the following:

A true and correct copy of Assignment dated October 30, 1956, and true and correct copies of two Assignments dated November 9, 1956, and two Assignments dated January 2, 1957, all from Stanolind Oil and Gas Company (now Pan American Petroleum Corporation) to Graham-Michaelis Drilling Company. (Exhibit "A")

which assign certain acreage subject to the gas sales contract.

2. It is requested that all inquiries and correspondence regarding this notice be addressed to the following:

John F. Jones, Attorney  
Pan American Petroleum Corporation  
511 South Boston Avenue  
Tulsa 2, Oklahoma

with a copy to the undersigned.

Respectfully,

PAN AMERICAN PETROLEUM CORPORATION

By /s/ NORTON STANDEVEN  
Norton Standeven, Its Attorney  
P. O. Box 1654  
Oklahoma City, Oklahoma

Attachments:

Exhibit "A", Assignments

[fol. 750]

EXHIBIT H TO AFFIDAVIT

Address All Communications  
To The Secretary

FEDERAL POWER COMMISSION  
Washington 25

Oct. 18, 1957

Pan American Petroleum Corporation  
c/o Dow, Lohnes and Albertson  
Munsey Building  
Washington 4, D. C.

Gentlemen:

This is to advise you that the rate filings listed at the bottom of this letter have been accepted for filing, that.



notice is hereby waived and that such rate schedules shall be effective as of the dates shown:

In the event that any of the documents comprising the listed rate schedules contain provisions for future automatic adjustments in rates and charges based upon new or increased taxes, prices paid for gas by or to others, price re-determination provisions, or any similar provision, your attention is directed to the fact that such provisions, when invoked to change the effective rates and charges, will constitute a change in such rates and charges within the meaning of Section 4(d) of the Natural Gas Act and Section 154.94 of the Commission's Regulations under such Act as promulgated by this Commission's Order No. 174-B. The Act and the Commission's Rules require that such changes be filed with the Commission not more than 90 days nor less than 30 days prior to the proposed effective date thereof.

This acceptance for filing shall not be construed as a waiver of the requirements of Section 7 of the Natural Gas Act, as amended; nor shall it be construed as constituting approval of any rate, charge, classification, or any rule, regulation or practice affecting such rate or service contained in the rate filing; nor shall such acceptance be deemed as recognition of any claimed contractual right or obligation associated therewith; and such acceptance is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against your company.

In future correspondence with the Commission concerning the rate schedules listed below, please refer to the FPC Gas Rate Schedule designation furnished you herewith, including the name of the independent producer and the rate schedule and supplement numbers.

By direction of the Commission.

J. H. Gutride  
Secretary

Rate Schedule Designation  
*Pan American Petroleum Corporation*

F.P.C. Gas

Description of Document	Date of Letter of Transmittal	Rate Schedule No.	Supplement No.	Effective Date
Assignment 10-30-56	9-26-57	84	81	10-30-56
Assignment 11-9-56 (Wheatley lease)	9-26-57	84	82	11- 9-56
Assignment 11-9-56 (Dennis and other leases) [fol. 751]	9-26-57	84	83	11- 9-56
Assignment 1-2-57 (Weber lease)	9-26-57	84	84	1- 2-57
Assignment 1-2-57 (Bower and other leases)	9-26-57	84	85	1- 2-57

cc: Mr. John F. Jones  
 Pan American Petroleum Corporation  
 P. O. Box 591  
 Tulsa 2, Oklahoma

Mr. Norton Standeven  
 Pan American Petroleum Corporation  
 P. O. Box 1654  
 Oklahoma City 1, Oklahoma

[fol. 752]

## EXHIBIT I TO AFFIDAVIT

Jan. 6, 1958

## Letter of Transmittal

Supplement to Pan Ameri- )  
 can Petroleum Corpora- )  
 tion FPC Gas Rate )  
 Schedule No. 84. (Pan )  
 American Contract No. )  
 18,196, Hugoton Field, )  
 Kansas.) )

Supplement No. 86  
 to FPC Gas Rate  
 Schedule No. 84

Secretary  
 Federal Power Commission  
 Washington 25, D. C.

Dear Sir:

1. Subject to all of the reservations set out in the Application for a Certificate of Public Convenience and Necessity in FPC Docket No. G-4904 and in the original filing of the above described contract as a Rate Schedule and while denying that it is a natural gas company under the Natural Gas Act, or that it is subject to the jurisdiction of the Commission with respect to the transaction described herein, Pan American Petroleum Corporation, as an independent producer, pursuant to Section 154.94 of the Commission's Regulations under the Natural Gas Act, transmits herewith for the information of the Commission, the following:

A true and correct copy of Assignment, dated June 26, 1956, from Stanolind Oil and Gas Company (Now Pan American Petroleum Corporation) to Edwin G. Bradley. (Exhibit "A")

which assigns certain acreage subject to the gas sales contract.

2. It is requested that all inquiries and correspondence regarding this notice be addressed to the following:

John F. Jones, Attorney  
 Pan American Petroleum Corporation  
 511 South Boston Avenue  
 Tulsa 3, Oklahoma

with a copy to the undersigned.

Respectfully,

PAN AMERICAN PETROLEUM CORPORATION

By /s/ NORTON STANDEVEN  
 Norton Standeven  
 Division Attorney  
 P. O. Box 1654

Attachments: Oklahoma City, Oklahoma

Exhibit "A", Assignment

[fol. 753]

EXHIBIT J TO AFFIDAVIT

Address All Communications  
 To The Secretary

FEDERAL POWER COMMISSION  
 Washington 25

Feb. 26, 1958

Pan American Petroleum Corporation  
 c/o Dow, Lohnes and Albertson  
 Washington 4, D. C.

Gentlemen:

This is to advise you that the rate filings listed at the bottom of this letter have been accepted for filing, that notice is hereby waived and that such rate schedules shall be effective as of the dates shown.

In the event that any of the documents comprising the listed rate schedules contain provisions for future automatic adjustments in rates and charges based upon new or increased taxes, prices paid for gas by or to others, price re-determination provisions, or any similar provision, your attention is directed to the fact that such provisions, when invoked to change the effective rates and charges, will constitute a change in such rates and charges within the meaning of Section 4(d) of the Natural Gas Act and Section

154.94 of the Commission's Regulations under such Act as promulgated by this Commission's Order No. 174-B. The Act and the Commission's Rules require that such changes be filed with the Commission not more than 90 days nor less than 30 days prior to the proposed effective date thereof.

This acceptance for filing shall not be construed as a waiver of the requirements of Section 7 of the Natural Gas Act, as amended; nor shall it be construed as constituting approval of any rate, charge, classification, or any rule, regulation or practice affecting such rate or service contained in the rate filing; nor shall such acceptance be deemed as recognition of any claimed contractual right or obligation associated therewith; and such acceptance is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against your company.

In future correspondence with the Commission concerning the rate schedules listed below, please refer to the FPC Gas Rate Schedule designation furnished you herewith, including the name of the independent producer and the rate schedule and supplement numbers.

By direction of the Commission.

J. H. Gutride  
Secretary

Rate Schedule Designation

*Pan American Petroleum Corporation*

Description of Document	Date of Letter of Transmittal	F.P.C. Gas Rate Schedule	Supplement No.	Effective Date
		No.		
Assignment				
6-26-56	1-9-58	84	86	6-26-56

cc: John F. Jones, Legal Dept.

Pan American Petroleum Corporation

P. O. Box 591

Tulsa, Oklahoma

Norton Standeven

Pan American Petroleum Corporation

P. O. Box 1654

Oklahoma City, Oklahoma

[fol. 754]

[File endorsement omitted]

Acknowledgment of service (omitted in printing).

[fol. 755]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722 1958

---

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

v.

PAN AMERICAN PETROLEUM CORPORATION, a corporation,  
Defendant.

---

AFFIDAVIT OF NORTON STANDEVEN IN SUPPORT OF  
DEFENDANT'S MOTION FOR SUMMARY JUDGMENT—

Filed June 22, 1959

State of Oklahoma,  
County of Oklahoma, ss.

Be it remembered that on this 12th day of June, 1959, personally appeared before me, the subscriber, a Notary Public for the County and State aforesaid, Norton Standeven, who, having been sworn in due form of law, doth depose of his own knowledge as follows:

1. That he is and was at all times involved herein Division Attorney for defendant's Central Division with offices located in Oklahoma City, Oklahoma, that the Hugoton Gas Field in Kansas is within the geographical area of the defendant's operations assigned to its Central Division, and that he is familiar with all of defendant's rate schedule filings with the Federal Power Commission relating to the sale of natural gas involved in this action.

2. That, during the period commencing May 14, 1955, and ending January 1, 1958, inclusive, he mailed to plaintiff, addressed as indicated below, with postage prepaid, the respective letters listed below on the respective dates set forth in connection therewith advising plaintiff that the respective documents transmitted therewith or referred to

therein were being tendered to the Federal Power Commission for filing:

[fol. 756] A. Letter dated June 28, 1957, mailed on June 28, 1957, enclosing a true and correct copy of item (f) of Exhibit 3 attached to plaintiff's Motion for Summary Judgment, to Cities Service Gas Company, P. O. Box 1995, Oklahoma City 1, Oklahoma.

B. Letter dated September 23, 1957, mailed on September 23, 1957, enclosing a true and correct copy of the letter of transmittal dated September 23, 1957, described in subparagraph (viii) of paragraph 3 of the affidavits filed herein of John F. Jones in support of defendant's Motion for Summary Judgment and in opposition to plaintiff's Motion for Summary Judgment, to Cities Service Gas Company, P. O. Box 1995, Oklahoma City, Oklahoma.

Norton Standeven.

Sworn to and subscribed before me the day and year first above written.

Helen L. Billupo, nee Rawlins, Notary Public.

My commission expires:

Helen L. Rawlins, Notary Public, in and for State of Oklahoma, My Commission Expires February 13, 1960.

(Seal)

[fol. 757] [File endorsement omitted]

Acknowledgment of service (omitted in printing).



[fol. 758]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722 1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

v.

PAN AMERICAN PETROLEUM CORPORATION, a corporation,  
Defendant.AFFIDAVIT IN SUPPORT OF DEFENDANT'S MOTION FOR  
SUMMARY JUDGMENT—Filed June 22, 1959State of Oklahoma,  
County of Tulsa, ss.

Be it remembered that on this 15th day of June, 1959, personally appeared before me, the subscriber, a Notary Public for the County and State aforesaid, Carroll L. Gilliam, who, having been sworn in due form of law, doth depose of his own knowledge as follows:

1. That he is an attorney with offices at 600 Munsey Building, Washington 4, D.C.; that as such he has represented Pan American Petroleum Corporation, defendant herein, before the Federal Power Commission, Washington, D.C.; that he is familiar with the rate filings of said defendant involved herein and which appear herein as Exhibit 3 to Plaintiff's Motion for Summary Judgment, and which are on file with the Federal Power Commission; and that he is familiar with the public files and records of the Federal Power Commission relating thereto.

2. That he has examined the public files and records of the Federal Power Commission containing and consisting of the documents which are now designated therein as Pan American Petroleum Corporation (Operator) *et al.* F.P.C. Gas Rate Schedule No. 84, and formerly designated therein as Stanolind Oil and Gas Company F.P.C. Gas Rate Sched-

ule No. 84, and which public files and records include documents tendered for filing on November 16, 1954 and bearing the Federal Power Commission's designation of the aforesaid Rate Schedule Number and Supplement Nos. 1 through 77 thereto, and documents tendered for filing on [fol. 759] July 1, 1957 and bearing the Federal Power Commission's designation of Supplement No. 80 thereto.

3. That his examination of the public files and records of the Federal Power Commission containing and consisting of the aforesaid Rate Schedule, including Supplements thereto, reveals that said public files and records do not contain, include, show, or otherwise reflect the tender, transmittal, filing or any other communication of a protest, complaint, or any other form of objection by Cities Service Gas Company, plaintiff herein, to the tender on November 16, 1954 and July 1, 1957 for filing by the defendant herein of the aforesaid Rate Schedule, or any Supplements thereto or parts thereof, or to the acceptance for filing of the aforesaid documents by Federal Power Commission action on January 26, 1955, and July 24, 1957, as is reflected by Exhibit "A", Exhibit "B", Exhibit "D", and Exhibit "E" to defendant's Answer filed herein, and which said Exhibits are made a part hereof.

4. That his examination of the public files and records of the Federal Power Commission containing and consisting of the aforesaid Rate Schedule, including Supplements thereto, reveals that said public files and records do not contain, include, show or otherwise reflect the tender, transmittal, filing, or any other communication of a motion, petition, application or other form of pleading seeking reconsideration of or rehearing upon action of the Federal Power Commission on January 26, 1955, and July 24, 1957, as is reflected by the Exhibits described in paragraph 3 above, accepting for filing documents now designated as Pan American Petroleum Corporation (Operator) *et al.* F.P.C. Gas Rate Schedule No. 84, including documents designated as Supplement Nos. 1 through 77 and Supplement No. 80 thereto, within the periods provided for the filing of such motion, petition, or application for rehear-

ing by Section 19(a) of the Natural Gas Act, 52 Stat. 831 (1938); 15 U.S.C. § 717r. —

5. That he has examined the public files and records of the Federal Power Commission containing official correspondence by and between the Federal Power Commission and Cities Service Gas Company, plaintiff herein, and containing official correspondence by and between the Federal Power Commission and Pan American Petroleum Corporation, defendant herein; and that his examination of aforesaid public files and records reveals that the aforesaid public files and records do not contain, include, show, or otherwise reflect the tender, transmittal, filing, or any other communication of a protest, complaint or any other form of objection by Cities Service Gas Company, plaintiff herein, to the tender for filing on November 16, 1954, and July 1, 1957, of documents comprising the aforesaid Rate Schedule, including Supplements thereto, or to the action of the Federal Power Commission on January 26, 1955, and July 24, 1957, accepting said documents for filing as is reflected by the Exhibits described in paragraph 3 above, between November 16, 1954 and July 1, 1957, the dates of tender for filing by defendant herein of the documents described in paragraph 2 above, and June 25, 1958, the date of service of the Complaint by Cities Service Gas Company, plaintiff herein, in the above-styled Civil Action No. 722, 1958.

Carroll L. Gilliam.

Sworn and subscribed to before me the year and day first above written.

Roena M. Stander, Notary Public.

My Commission Expires June 22, 1962.

(Seal)

[fol. 761]

[File endorsement omitted]

Acknowledgment of service (omitted in printing).

[fol. 762]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722 1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

v.

PAN AMERICAN PETROLEUM CORPORATION, a corporation,  
Defendant.AFFIDAVIT OF RALPH L. MAREK, IN SUPPORT OF DEFENDANT'S  
MOTION FOR SUMMARY JUDGMENT—Filed June 22, 1959State of Oklahoma,  
County of Tulsa, ss.

Be it remembered that on this 12th day of June, 1959 personally appeared before me, the subscriber, a Notary Public for the County and State aforesaid, Ralph L. Marek, who, having been sworn in due form of law, doth depose of his own knowledge as follows:

1. That he is and was at all times involved herein Gas Sales Superintendent for the defendant at its General Office in Tulsa, Oklahoma, and is familiar with all of defendant's rate schedule filings with the Federal Power Commission relating to sale of natural gas involved in this action.

2. That, during the period commencing November 16, 1954 and ending May 13, 1955, inclusive, he mailed to plaintiff, addressed as indicated below, with postage prepaid, the respective letters listed below on the respective dates set forth in connection therewith advising plaintiff that the respective documents transmitted therewith or referred to therein were being tendered to the Federal Power Commission for filing:

- [fol. 763] A. Letter dated November 16, 1954, mailed on November 16, 1954, enclosing a true and correct copy of Exhibit 6A attached to plaintiff's Motion for Summary Judgment, to Cities Service Gas Company, Oklahoma City 1, Oklahoma.
- B. Letter dated May 4, 1955, mailed on May 4, 1955, enclosing a true and correct copy of the letter of transmittal dated May 3, 1955, which tendered for filing with the Federal Power Commission item (b) to Exhibit 3 attached to plaintiff's Motion for Summary Judgment, to Cities Service Gas Company, First National Bank Building, Oklahoma City, Oklahoma.
- C. Letter dated May 13, 1955, mailed on May 13, 1955, enclosing a true and correct copy of the letter of transmittal dated May 11, 1955, which tendered for filing with the Federal Power Commission item (c) to Exhibit 3 attached to plaintiff's Motion for Summary Judgment, to Cities Service Gas Company, Post Office Box 1995, Oklahoma City, Oklahoma.

Ralph L. Marek.

Sworn to and subscribed before me the day and year first above written.

Ruth S. Gebo, Notary Public.

My Commission expires : June 30, 1960.

(Seal).

[fol. 764] [File endorsement omitted]

Acknowledgment of service (omitted in printing).

[fol. 765]

EXHIBIT 2G TO DEFENDANT'S REQUESTS FOR  
ADMISSIONS BY PLAINTIFF

Gas-Sale  
May 16, 1955  
832 RLM  
836 PBE

[Emblem]

CITIES SERVICE GAS COMPANY

FIRST NATIONAL BUILDING  
OKLAHOMA CITY 1, OKLAHOMA

Legal Division

May 13, 1955

Stanolind Oil and Gas Company  
Stanolind Building  
Tulsa, Oklahoma

Attention: Mr. Ralph L. Marek

Re: Contract Date: 6-23-50

Location: Kansas-Hugoton Field

Gentlemen:

Our Company is purchasing gas from you from the above described Field under the terms of the captioned Contract. Under the terms of the Natural Gas Act and Federal Power Commission Order 174 as Amended, our Company is authorized to make payments for natural gas purchased only pursuant to filed Rate Schedules of each Independent Producer. In order to complete our files, it is respectfully requested that you furnish us, at your convenience, copies of the following items which have been checked pertaining to your sale to our Company under the above described Contract:

( ) Statement of price and pressure base contained in Rate Schedule.

( ) Letter of transmittal of Rate Schedule.

( ) A complete list of documents filed as Rate Schedule or Supplements or Amendments thereof.

- (√) All correspondence from the Federal Power Commission relating to your Rate Schedule.
- ( ) Copy of Application for Certificate of Public Convenience and Necessity.
- (√) All correspondence from Federal Power Commission relating to your Application for Certificate.
- (√) All Orders of Federal Power Commission relating to your Certificate Application and Rate Schedule filing.

With respect to any correspondence from the Federal Power Commission, we are particularly interested in the dates upon which your Rate Schedules and Certificate Applications were accepted for filing, the Federal Power Commission Rate Schedule number, the Docket Number assigned to your Certificate Application, and date of issuance of Certificate.

We will greatly appreciate your prompt cooperation in this matter as this information is needed in order for us to make payments for gas purchased from you.

Very truly yours,

/s/ ROBERT N. BERRY  
Robert N. Berry  
Attorney

RNB:m



[fol. 766]

**EXHIBIT 2H TO DEFENDANT'S REQUESTS FOR  
ADMISSIONS BY PLAINTIFF****STANOLIND OIL AND GAS COMPANY**

Stanolind Building

Tulsa, Oklahoma

May 20, 1955

File: RLM-405-960.4

Re: Contracts SO&amp;G No. 15,533

West Edmond Plant

SO&amp;G No. 18,196

Hugoton Field, Kansas

Cities Service Gas Company

First National Building

Oklahoma City 1, Oklahoma

Attention: Mr. Robert N. Berry

Gentlemen:

Pursuant to the request in your two form letters of May 13, 1955, we are attaching copies of the following items pertaining to our filings with the Federal Power Commission under the subject contracts:

*Contract No. 15,533*

1. FPC Order suspending proposed change in rate (Supplement No. 6 to Rate Schedule No. 121)
2. FPC letter dated April 13, 1955, assigning rate schedule and supplement numbers.
3. Statement of price and pressure base contained in rate schedule.

Contract No. 18,196

1. FPC letter dated March 2, 1955, assigning rate schedule and supplement numbers.

Yours very truly,

/s/ Ralph L. Marek

cc: Mr. R. H. Westhoff

PBE:bbs

[fol. 767]

EXHIBIT 21 TO DEFENDANT'S REQUESTS FOR  
ADMISSIONS BY PLAINTIFF

PAN AMERICAN PETROLEUM CORPORATION

Fidelity National Building  
Oklahoma City, Oklahoma

P. O. Box 1654

August 29, 1957

File: RHW-992-400.01

Effective Date for Reimbursement  
of Kansas Severance Tax under  
Gas Purchase Contract

Cities Service Gas Company

P. O. Box 1995

Oklahoma City, Oklahoma

Gentlemen:

Attached is copy of communication from the Federal Power Commission advising of the acceptance for filing and effective date of filings relative to reimbursement for Kansas Severance Tax under contract between you and us in the state of Kansas.

Yours very truly,

/s/ R. H. Westhoff  
R. H. Westhoff

LSL:wln

Attachment

[fol. 767a] [File endorsement omitted]

[fol. 768]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722 1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

v.

PAN AMERICAN PETROLEUM CORPORATION, a corporation,  
Defendant.

**Brief in Support of Motion for Summary Judgment—  
Filed August 14, 1959**

#### NATURE OF ACTION

This action was commenced by plaintiff against defendant to recover overpayments made by plaintiff for gas purchased from defendant during the period January 1, 1954 through November 22, 1957.

The period involved covers the time during which plaintiff was engaged in litigating the validity of an Order of the Corporation Commission of Kansas fixing a minimum price of 11¢ per Mcf for the gas purchased by plaintiff from defendant. This litigation terminated in a final determination by the Supreme Court of the United States that the Kansas minimum price order was void, *in toto* and *ab initio*, upon the ground that the state had no power or [fol. 769] authority to fix the price for gas sold in interstate commerce. *Cities Service Gas Company v. State Corporation Commission*, 355 U.S. 391, 2 L. Ed. 2d 355 (1958), reversing 304 P. 2d 528; and *Cities Service Gas Company v. State Corporation Commission of Kansas*, 337 P. 2d 640.

[fol. 770]

## STATEMENT OF FACTS

[fol. 771] 1. For its Fourth defense defendant makes the shocking claim that it has avoided its solemn contractual obligation to refund the overpayments by violating the law. Defendant says that by refusing to file its contract to refund with the Federal Power Commission and by misrepresenting to the Federal Power Commission that it was collecting 11¢ unconditionally, it has, by its own wrongdoing, created for itself an 11¢ price and has made the contract unenforceable. We shall discuss this matter at length under Proposition III, pages 70-71.

Suffice it to say here, that defendant's rate schedule fixed the price at 8.4¢ and no more. The fact that defendant was actually receiving 11¢ (upon condition of refund) has nothing to do with the determination of its effective rate.

*Kerr-McGee Oil Industries, Inc. v. Federal Power Commission*, 260 F. 2d 602 at 604 (10 Cir.—1958):

"It is now established beyond doubt that the legally effective rate on June 7, 1954, is not necessarily the rate being billed and charged on that date. It is not the billing and charging which control the effective rate, rather the effective June 7, 1954 rate is one which has accrued by force of the contract as of that date by virtue of the then existing operative facts, whether charged, billed or legally determined. (citing cases) To paraphrase Judge Phillips in the most recent Phillips case, the correct and effective sale price is the price which Kerr-McGee was entitled to receive and Phillips obligated to pay on June 7, 1954, under the terms of their contract."

[fol. 772] If defendant could not make for itself an 11¢ filed rate by showing that it was collecting 11¢, it certainly could not do so by refusing to show that the 11¢ was being collected conditionally.

2. *For its Eighth Defense*, defendant alleges that plaintiff's January 21, 1954 letter, Exhibit I, and its January 28, 1954 answer, Exhibit II, were directed at payments made under the Kansas minimum price Order only. Thus,

says defendant, the payments made after its rate filing were not subject to the refund letters. Defendant cannot so easily escape the effect of its rate filing.

In its filing defendant represented unequivocally that its rate schedule fixed its price at 8.4¢ per Mcf and that its sole claim to an 11¢ price depended upon the validity of the minimum price Order. Each check defendant received for four years bore the legend that the payments were made subject to the terms of plaintiff's January 21, 1954 letter, Exhibit XIV. That letter provides for the conditional and involuntary payment of the 11¢ ordered price in strict compliance with the State order and the payments were made and received pursuant to the State order.

3. *As its Tenth Defense* defendant challenges the jurisdiction of this Court to make any change in defendant's rate schedule. This defense is beside the point. Plaintiff seeks here merely to enforce its right to a refund of the payments [fol. 773] made in excess of the contract rate which is necessarily the same rate as is fixed in its rate schedule. There can be no question but that a court of general jurisdiction has the duty to construe, apply and enforce defendant's rate schedule.

*Magnolia Petroleum Co. v. Texas Illinois Nat. Gas P. Co.*, (USDC—Texas—1954), 130 F. Supp. 890 at 894:

"The defendant answers that the price itself is in dispute; that the contract price is not controlling, and the correct price must be determined by the Commission. But the Commission has no authority to award a money judgment if in fact the plaintiff be entitled thereto; and when reached for trial on the merits, this Court may determine what the lawful rate may have been at the time in question (whether fixed by contract or by Commission order), and may enter such judgment as the facts warrant."

*Great Northern Ry. Co. v. Merchants Elevator Co.*, 259 U.S. 285 at 294 (1922):

"The task to be performed is to determine the meaning of words of the tariff, which were used in their ordi-

nary sense and to apply that meaning to the undisputed facts. That operation was solely one of construction; and preliminary resort to the Commission was therefore, unnecessary."

(G) *The law permits no deviation from defendant's filed rate of 8.4¢ per Mcf.*

We have shown that defendant's filed rate schedule fixes the price for this gas at the contract rate, 8.4¢ per Mcf at 16.4# psia. Defendant cannot claim any other price. [fol. 774]. The rate fixed by defendant's rate schedule is binding upon plaintiff and defendant and upon this Court with the force and effect of federal statute.

*Montana-Dakota Util. Co. v. Northwestern P.S.C.* (U.S. S.Ct.—1950), 341 U.S. 246 at 251, 95 L. Ed. 912:

" \* \* \* It can claim no rate as a legal right that is other than the filed rate, whether fixed or merely accepted by the Commission, and not even a Court can authorize commerce in the commodity on other terms."

*Northwestern Pub. Serv. Co. v. Montana-Dakota Util. Co.*, (U.S.C.A.—8—1950), 181 F. 2d 19 at 22:

"Moreover, the transmission of electric energy being at wholesale and interstate, the seller must collect the charge named in the filed rate and the purchaser must pay that rate. *So long as the filed rate is not changed in the manner provided by the Act it is to be treated as though it were a statute, binding upon the seller and the purchaser alike.* *Texas & Pac. Ry. Co. v. Cisco Oil Mill*, 204 U.S. 449, 27 S. Ct. 358, 51 L. Ed. 562; *Pennsylvania R. Co. v. International Coal Mining Co.*, 230 U.S. 184, 197, 33 S. Ct. 893, 57 L. Ed. 1446, Ann. Cas. 1915A, 315; *Pillsbury Flour Mills Co. v. Great Northern Ry. Co.*, 8 Cir., 25 F. 2d 66, 68." (Emphasis ours)

*Hope Natural Gas Co. v. Federal Power Commission* (C.G.A.—4—1943), 134 F. 2d 287 at 311; *McClellan v. Montana-Dakota Utilities Co.* (U.S.C.S.—Minn.—1952), 104 F. Supp. 46 at 50.

Rates filed with the Federal Power Commission are binding upon both defendant seller and plaintiff purchaser with the force and effect of statute.

[fol. 775] The Commission's regulation, 18 CFR § 154.21, is simply a restatement of this well-established law. It prohibits the sale of natural gas at any rate other than the filed rate.

These principles of law are of long standing and are well established in the field of filed rate schedules of all regulated businesses. The rule has been consistently and repeatedly applied in cases involving rate schedules filed with the Interstate Commerce Commission as well as those filed with the Federal Power Commission.

*Pennsylvania R. Co. v. International Coal Min. Co.*, (U.S. S.Ct.—1913), 230 U.S. 184, 57 L. Ed. 1446, at 1451:

“ \* \* \* The tariff, so long as it was of force, was, in this respect, to be treated as though it had been a statute, binding as such upon railroad and shipper alike. \* \* \* ”

*Louisville & N.R. Co. v. Maxwell* (U.S.S.Ct.—1915), 237 U.S. 94, 59 L. Ed. 853, at 855; *Lowden v. Simonds-Shields-Lonsdale Grain Co.*, (U.S.S.Ct.—1939), 306 U.S. 516, 83 L. Ed. 953 at 957.

Defendant cannot claim that its rates are other than those filed either on account of waiver, acquiescence or estoppel.

*Pittsburgh C.C. & St. L.R.Co. v. Fink* (1919), 250 U.S. 577, 63 L. Ed. 1151. At 582:

“Nor can the defendant in error successfully invoke the principle of estoppel against the right to collect the legal rate. Estoppel could not become the means of successfully avoiding the requirements of the act as to equal rates in violation of the provisions of the statute.”

[fol. 776] This rule is restated and the cases collected in *Sola Elec. Co. v. Jefferson Elec. Co.* (1942) 317 U.S. 173, 87 L. Ed. 165, at 176:

“The Federal courts have been consistent in holding that local rules of estoppel will not be permitted to



thwart the purposes of statutes of the United States. See, in the case of federal statutes governing interstate freight rates, *Pittsburgh, C.C. & St. L.R.Co. v. Fink*, 250 U.S. 577, 582, 583, 63 L. Ed. 1151, 1153, 1154, 40 S.Ct. 27; *Chesapeake & O.R. Co. v. Martin*, 283 U.S. 209, 220-222, 75 L. Ed. 983, 989, 990, 51 S. Ct. 453; cf. *Atchison, T. & S.F.R. Co. v. Harold*, 241 U.S. 371, 60 L. Ed. 1050, 36 S. Ct. 665; and federal statutes affecting national banks, *Awotin v. Atlas Exch. Bank*, 295 U.S. 209, 79 L. Ed. 1393, 55 S.Ct. 674, supra; *Dietrick v. Greaney*, 309 U.S. 190, 84 L. Ed. 694, 60 S. Ct. 480, supra."

Under Order 174, the parties cannot even by their written contract make an effective change in their rate without filing the basis thereof with the Federal Power Commission and obtaining an order finding the change justified. Any other procedure would nullify regulation. It would be absurd to deny the parties the right to change rates by their solemn written agreement on the one hand and then permit, on the other, such changes to be effectuated through action, failure to act, or other conduct which is not even reduced to writing and concerning which the parties to a producer-contract are themselves not in agreement. To say that regulated rates can be changed by acquiescence, voluntary payment or other action by one of the parties without complying with the applicable regulatory law would be contrary to public policy as it would [fol. 777] defeat and destroy regulation.

(H) *There is and can be no issue of fact with respect to defendant's filed rate schedule and summary judgment should be rendered for plaintiff.*

Defendant's reliance upon its filed rate schedule as a defense presents the classic occasion for summary judgment. There neither is nor can be any question of fact in regard to this defense. The Court has before it a pure question of law.

Defendant's rate schedule filed with the Federal Power Commission is wholly documentary. There can be no other evidence which will bear one way or another on what the rate schedule is. Defendant's rate schedule consists of a single set of documents, defendant's filed rate schedule, concerning which there never can be any dispute.

As we have shown above, defendant's rate schedule consists of the basic contract and supplements and agreements amendatory thereof effective and applicable on June 7, 1954. Within the limits of this definition the Court will find in the documentary evidence just one effective and applicable rate—8.4¢ per Mcf at 16.4# psia.

Once the Court has determined what rate is fixed by defendant's filed rate schedule, the Court is bound, as a matter of law, to enforce that rate. There can be no deviation from the rate schedule upon any excuse. Defendant's [fol. 778] defense of its filed rate schedule fits squarely into the language of 56(c), Rules of Procedure (Civil) of the Superior Court of Delaware:

“ \* \* \* The judgment sought shall be rendered forthwith if the pleadings, depositions, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law. \* \* \* ”

•   •   •   •   •   •   •

[fol. 778a]

[File endorsement omitted]

[fol. 779]

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

Civil Action No. 722, 1958

CITIES SERVICE GAS COMPANY, a corporation, Plaintiff,

—v.—

PAN AMERICAN PETROLEUM CORPORATION,  
a corporation, Defendant.**Brief of Plaintiff in Opposition to Defendant's Motion  
for Summary Judgment—Filed October 12, 1959**

Defendant has filed herein its Motion for Summary Judgment on two grounds: (1) that notwithstanding that the Kansas minimum price Order was invalid for want of jurisdiction, it was nevertheless valid until July 16, 1954; and, (2) that although the price Order was admittedly invalid in and of itself, its filing with the Federal Power Commission gave it validity. The Motion is identical with the Motions filed in this Court in Actions Numbered 670, 671 and 708—1958. Defendant has filed its "Main Brief of Defendant in Support of its Motion for Summary Judgment." That Brief is identical in all material respects [fol. 780] with "Main Brief of Defendants in Support of Their Motion for Summary Judgment" filed in each of the above numbered causes in behalf of Columbian Fuel Corporation and The Texas Company, defendants therein.

Accordingly, plaintiff adopts as its Answering Brief herein its "Brief of Plaintiff in Opposition to Defendants' Motion for Summary Judgment" and "Memorandum Brief of Plaintiff" heretofore filed in Civil Actions Numbered 670, 671 and 708—1958. For the convenience of the Court,

there are attached hereto copies of such Briefs marked "A" and "B", respectively.

Respectfully submitted,

John J. Morris, Jr., Howard L. Williams, Morris,  
James, Hitchens & Williams, 701 Bank of Delaware  
Building, Wilmington, Delaware, Attorneys for  
Plaintiff.

Of Counsel: Conrad C. Mount, Robert R. McCracken,  
Gordon J. Quilter, Charles V. Wheeler, First National  
Building, Oklahoma City, Oklahoma.

[fol. 781]

EXHIBIT "A" TO BRIEF OF PLAINTIFF IN OPPOSITION TO  
DEFENDANTS' MOTIONS FOR SUMMARY JUDGMENT

IN THE SUPERIOR COURT OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

CITIES SERVICE GAS COM-  
PANY, a corporation,

Plaintiff,

—v.—

COLUMBIAN FUEL CORPORA-  
TION, a corporation,

Defendant.

Civil Actions No. 670  
and 708, 1958

CITIES SERVICE GAS COM-  
PANY, a corporation,

Plaintiff,

—v.—

THE TEXAS COMPANY,  
a corporation,

Defendant.

Civil Action No.  
671, 1958

[fol. 782]

BRIEF OF PLAINTIFF IN OPPOSITION TO  
DEFENDANTS' MOTIONS FOR SUMMARY JUDGMENT

Nature of Action

Plaintiff Cities Service Gas Company seeks in each action a money judgment against the respective defendant.<sup>1</sup>

The sums sought to be recovered herein represent the difference between the price fixed and agreed upon by plaintiff and defendants for Kansas-Hugoton gas by the terms of four Gas Purchase Contracts, hereinafter identified, and the higher price actually paid by plaintiff to defendants of 11¢ per Mcf (14.65 psia) prescribed in a minimum gas price-fixing order promulgated by the Corporation Commission of the State of Kansas on December 2, 1953, to become effective on and after January 1, 1954. On January 20, 1958, the Kansas minimum price Order was held to be void ab initio by the Supreme Court of the United States. (*Cities Service Gas Company v. Corporation Commission*, 355 U. S. 391.) On April 11, 1959, the Kansas Supreme Court held that the Kansas Corporation Commission had no jurisdiction to enter the Order. (184 Kan. 540, 337 P. 2d 640, Case No. 41,284. Advance Sheets.)

[fol. 783] Plaintiff's cause of action rests upon a specific written contract with each defendant for the refund and restitution of payments made by plaintiff to defendants in excess of the agreed contract price in event the Kansas minimum price Order was declared invalid. In the alternative, plaintiff seeks restitution of the money paid under business compulsion and under the compulsion of said minimum price Order to avoid the criminal sanctions imposed by Kansas law for violation thereof.

. . . . .

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<sup>1</sup> Plaintiff seeks a money judgment for the principal sum of \$412,955.95 against The Texas Company in C.A. 671; \$439,406.44 against Columbian Fuel Corporation in C.A. 670; and \$35,995.19 against Columbian Fuel Corporation in C.A. 708.

*No remedies exist under the Natural Gas Act  
for the recovery of a money judgment*

Defendants next advance the argument that "if the Natural Gas Act had so filled the field of producer prices that it excluded the Kansas price Order even before federal regulation under the act commenced, all rights and remedies concerning producers' sales would then have been controlled by that act."

This assertion by defendants apparently proceeds from a complete misconception of the nature of this case or of rights and remedies under the Natural Gas Act, or both.

This is an action by plaintiff for a money judgment against defendants. This is not an action in which this [fol. 785] Court is being called upon to determine the reasonableness of a rate. This is not a rate-making proceeding. It is purely and simply an action to recover from defendants monies paid to them in excess of the amounts which defendants were legally and lawfully entitled to receive. Plaintiff's action, in other words, is one for reparations.

It is settled law under the Natural Gas Act that the Federal Power Commission has no reparations powers. In the first place, Section 5(a) of the Natural Gas Act only gives the Federal Power Commission jurisdiction to fix rates "to be thereafter observed \* \* \* ." Moreover, the Supreme Court of the United States squarely held that the Federal Power Commission has no reparations powers, in *Federal Power Commission v. Hope Natural Gas Co.*, 320 U.S. 591, 618. No action of any character could be brought before the Federal Power Commission which could restore monies illegally extracted from plaintiff.

The rule of law laid down in the Hope case has been settled law under the Natural Gas Act almost since its inception. Only this Court can grant the relief sought herein by plaintiff.

### III.

*The only lawful rate is the filed rate with the Federal Power Commission. That filed rate is the price fixed for gas in each Gas Purchase Contract here involved.*

Defendants, at page 45 of their Brief, cite the opinion [fol. 786] of the Supreme Court of the United States in *Montana-Dakota Utilities Co. v. Northwestern Public Service Co.*, 341 U.S. 246, 251 (1951), wherein the Court said:

"It [a purchaser] can claim no rate as a legal right that is other than the filed rate, whether fixed or accepted by the Commission, and not even a court can authorize commerce in a commodity on other terms."

Plaintiff fully agrees with this statement.

It is now settled law under the Natural Gas Act that the lawful filed rate is the stated contract price and that is the price fixed for gas in each Gas Purchase Contract here involved, precisely as contended by this plaintiff. Indeed, this action is one for recovery by plaintiff of the difference between the price prescribed by the void Kansas Order and that very contract rate.

Stated another way, the contract price and the lawful filed rate are one and the same.

Any lingering doubts on this subject have been squarely resolved by the United States Court of Appeals for the Tenth Circuit, the Third Circuit and the Fifth Circuit.

In *Cities Service Gas Co. v. Federal Power Commission*, 255 F. 2d 860 (1958) the Court of Appeals for the Tenth Circuit held:

"When the United States Supreme Court struck down the Kansas order there was no longer a valid order which could modify the contract rate and the contract rate was the rate effective on June 7, 1954."

[fol. 787] The Court of Appeals for the Third Circuit, in *Natural Gas Pipeline Co. of America v. Federal Power Commission*, 253 F. 2d 3, 7, said:



"When the United States Supreme Court found Oklahoma's action to have been unlawful and set the State Commission order aside there was no longer even the semblance of a valid law or lawful order which could modify the contract rate. The contract rate therefore under the mandate of the Supreme Court must be held to have been the rate effective on June 7, 1954."

To the same effect is the decision of the Court of Appeals for the Fifth Circuit, in *Natural Gas Pipeline Co. of America v. Harrington*, 246 F. 2d 915 (1957).

Once again, in *Phillips Petroleum Co. v. Federal Power Comm.*, 258 F. 2d 906, 918, the Court of Appeals for the Tenth Circuit observed:

"No doubt the Commission could have required each independent producer to file as a part of his rate schedule the price such producer was entitled to receive and as purchaser was obligated to pay under the provisions of the contract on June 7, 1954 and perhaps it would have been better had the Commission done so. Of course, to be effective it would have had to reflect correctly the then effective contract rate. However, the Commission did not so require and it expressly provided that the rate schedule should be the basic contract and all supplements and agreements amendatory thereof effective and applicable on or after June 7, 1954."

[fol. 788]

V.

*Plaintiff's Complaint is sufficient.*

No defects exists in plaintiff's Complaints as defendants seem to infer. On the contrary, plaintiff's position in this case is crystal clear.

Plaintiff seeks herein a money judgment against defendants. Its cause of action rests upon a specific written contract with each defendant for the refund of such money [fol. 789] in the event the Kansas minimum price Order was held invalid. Every operative fact necessary to establish this contract has been admitted by each defendant. Defen-

dants admit the receipt of the letter of January 21, 1954.<sup>1</sup> They admit the receipt and retention of voucher checks which specifically state that payment of the sums shown thereon is subject to the letter of January 21, 1954.<sup>2</sup> The Kansas Order has been held to be void ab initio in *Cities Service Gas Co. v. Corporation Commission, supra*. Plaintiff is unquestionably entitled to recover the sums sought herein from defendants on the basis of such specific contract.

In the alternative, plaintiff seeks restitution of the money paid under the compulsion of the void Kansas minimum price Order to avoid the criminal sanctions imposed by Kansas law for violation thereof.

Once again, all of the facts necessary to entitle plaintiff to recover on the theory of restitution are admitted by each defendant. Defendants admit receipt of the sums herein sought to be recovered.<sup>3</sup> They admit that criminal sanctions [fol. 790] would have been imposed upon plaintiff for violation of the Kansas Order.<sup>3</sup> Under the decision of the Court of Appeals for the Fifth Circuit in *Natural Gas Pipeline Company of America v. Harrington, supra*, plaintiff is entitled to recover on the theory of restitution.

The various matters set forth in defendants' Motions for Summary Judgment are nothing more than an affirmative plea by defendants that they have certain defenses and that this plaintiff has failed to plead the respective defenses of defendants set forth therein. Just how this peculiar pleading is to be regarded by this court is far from clear.

However, even assuming arguendo only that defects exist in plaintiff's complaints, such defects have been cured and

<sup>1</sup> Texas Answer—par. 5 of First Defense; Columbian (C.A. 670) Answer—par. 4 of First Defense; Columbian (C.A. 708) Answer, par. 4 of First Defense.

<sup>2</sup> Texas Answer—par. 5 of First Defense; Columbian Answer (C.A. 670)—par. 5 of First Defense; Columbian Answer (C.A. 708)—par. 5 of First Defense.

<sup>3</sup> Texas Answer—par. 4 of First Defense; Columbian Answer (C.A. 670)—par. 6 of First Defense; Columbian Answer (C.A. 708)—par. 4 of First Defense.

supplied by defendants' own allegations. Defendants state that their Motions for Summary Judgment are based "upon the facts established by the pleadings, plaintiff's responses to defendants' Requests for Admissions, the affidavit attached hereto as an exhibit heretof, and such other affidavits as are filed herein pursuant to the schedule fixed by the Order entered on this Motion." If defendants contend that the Kansas minimum price Order or their respective filed [fol. 791] rates with the Federal Power Commission must necessarily be considered by this Court, both such Order and such rate filings are a matter of record in this case.

The law relating hereto is well settled.

In *Texas & N.O.R. Co. v. Miller*, 211 U.S. 408, 55 L. Ed. 789 (1911), the court sustained the lower court in holding defendant's allegation of a foreign statute cured the insufficiency of the complaint. The Court, p. 796, said:

"The action was begun within the time prescribed, and what the Texas courts really held was that the omission from the complaint of an essential allegation was cured by its inclusion in the answers. In so holding they but gave the effect to a generally recognized rule under the subject. *United States v. Morris*, 10 Wheat. 246, 286, 6 L. Ed. 314, 323."

In *Albertson v. Federal Communications Commission*, 182 F. 2d 397, 401, the Court reversed the action of the Commission in sustaining an objection that an affidavit was inadequate and dismissing an application for rehearing on a permit for construction of a broadcasting station, at page 401, said:

"Dismissing the application upon this basis disregards the long established rule that a defective pleading may be aided by an opposing pleading and that a party will not be heard to insist that his adversary has omitted to allege facts he himself has supplied. Under this rule a defect in a pleading, even as a matter of substance, may be aided or cured by the pleading of the adverse party, \* \* \* 41 Am. Jur., Pleading, § 402, [fol. 792] and cases cited. *United States v. Morris*

(1825) 10 Wheat. 246, 285, 6 L. Ed. 314; *Brooke v. Brooke*, 1 Sid. 184, 82 Eng. Rep. 1046 (K.B. 1664)."

The United States Court of Appeals, District of Columbia, in *Christianson v. Gaines*, 174 F. 2d 534, said at page 536:

"In *Lindsey v. Leavy*, 9 Cir., 149 F. 2d 899, 902, the court stated:

"The sufficiency of the allegations of a complaint do not determine the motion for summary judgment. Cases dealing with and construing Rule 56, Federal Rules of Civil Procedure, 28 U.S.C.A. following section 723c, clearly indicate to the contrary and if this were not the case, Rule 56 would be a nullity for it would merely duplicate the motion to dismiss."

The District Court for the Western District of Pennsylvania, in *Kadylak v. O'Brien*, 32 F. Supp. 281 (1940) held a motion to dismiss an action for failure to state a claim upon which relief could be granted was required to be denied where defendant made the motion after answering the complaint.

[fol. 793]

EXHIBIT "B" TO REPLY BRIEF OF DEFENDANT IN SUPPORT  
OF ITS MOTION FOR SUMMARY JUDGMENT

Defendants' Reply to Plaintiff's Supplemental Memorandum (Omitted. Printed side folio 279, page 230).

[fol. 794]

## SUPREME COURT OF THE UNITED STATES

No. 914—October Term, 1959

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PAN AMERICAN PETROLEUM CORPORATION, Petitioner

vs.

SUPERIOR COURT OF THE STATE OF DELAWARE IN AND FOR  
NEW CASTLE COUNTY, ET AL.

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ORDER ALLOWING CERTIORARI—June 13, 1960

The petition herein for a writ of certiorari to the Supreme Court of the State of Delaware is granted. The case is consolidated with Nos. 915 and 916 and a total of two hours is allowed for argument.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.

[fol. 795]

## SUPREME COURT OF THE UNITED STATES

No. 915—October Term, 1959

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TEXACO, INC., Petitioner,

vs.

SUPERIOR COURT OF THE STATE OF DELAWARE IN AND FOR  
NEW CASTLE COUNTY, ET AL.

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## ORDER ALLOWING CERTIORARI—June 13, 1960

The petition herein for a writ of certiorari to the Supreme Court of the State of Delaware is granted. The case is consolidated with Nos. 914 and 916 and a total of two hours is allowed for argument.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.